

Navigating Terra Incognita: Why the Digital Millennium Copyright Act Was Needed to Chart the Course of Online Service Provider Liability for Copyright Infringement

MICHELLE A. RAVN*

The Digital Millennium Copyright Act (DMCA) was enacted on October 28, 1998, marking the first changes to the Copyright Act in twenty-two years. Enactment of the DMCA was prompted by advances in information technology and the exponential growth of the Internet as the communications medium of choice. Like any piece of legislation, and perhaps more than most, the DMCA is the product of legislative compromise. A review of both the changes it makes to the copyright law and provisions abandoned during legislative compromise provides great insight into the future of copyright law on the Internet. Specifically, Title II of the Act, the "Online Copyright Infringement Liability Limitation Act," responds to concerns of online service providers (OSPs) that they would be held directly, contributorily, and vicariously liable for the copyright infringements of their subscribers. In this Note, the author examines the inconsistent nature of the case law prior to the passage of the DMCA as a means of demonstrating why such legislation was necessary. Furthermore, the author argues that judicial attempts at resolving these issues would have been insufficient due to the courts' demonstrated difficulties applying established copyright principles to the Internet. Finally, the author outlines the manner in which specific provisions of the DMCA address OSP concerns.

I. INTRODUCTION

The features which distinguish the Internet terrain from that of all other

* An earlier version of this Note was awarded First Place in the American Society of Composers, Authors, and Publishers' (ASCAP) Nathan Burkan Memorial Competition for papers in copyright law. At the time of its submission to the Burkan Competition, June 1998, the future of online service provider (OSP) liability continued to be adamantly debated in Congress. Originally, the author advocated that legislation was needed to alleviate the dangers OSPs faced from inconsistent judicial application of copyright principles to the Internet. The Note has been revised to reflect changes implemented by Congress's final resolution of the debate, embodied in Title II of the Digital Millennium Copyright Act.

First and foremost, the author would like to express her gratitude to copyright professor Sheldon Halpern, for the inspiration and insights he provided both in class and out and for his helpful comments on this version. Additionally, the author gratefully acknowledges the encouragement and invaluable editorial assistance of Rebekah Kaufman, Brandy Ritchie, and her step-father, Sam Rametta. The author will always be grateful to Professor Morgan Shipman for his assistance throughout her law school career. Finally, the author would like to thank her parents for their unconditional love, patience, and support.

media are the same features which make the Internet fertile ground for copyright infringement. The Internet has given individuals the power to reproduce and transmit virtually every type of copyrightable work¹ inexpensively and almost instantaneously. Because of the ease with which words, music, and images can be copied and transmitted cheaply and anonymously through cyberspace,² works published³ on the Internet are exposed to a great risk of being used in an unauthorized manner. Copyright infringement on the Internet manifests itself in many forms. Infringement can occur when an individual user simply "downloads" copyrighted material from a web site. On the other end of the spectrum, the infringement may be the primary purpose of a business.⁴ Once

¹ Section 102(a) of the Copyright Act of 1976 provides:

Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.

17 U.S.C. § 102(a) (1994). The current copyright law is codified at title 17 of the United States Code.

² "Cyberspace" is a popular term for the seamless web of electronic communications over computer networks. See Trotter Hardy, *The Proper Legal Regime for "Cyberspace,"* 55 U. PITT. L. REV. 993, 994 (1994) (discussing various issues affecting online service providers). The term "cyberspace" was coined by science fiction author William Gibson in his 1984 novel *Neuromancer*. See WILLIAM GIBSON, *NEUROMANCER* 51 (1984); see also William S. Byassee, *Jurisdiction of Cyberspace: Applying Real World Precedent to the Virtual Community*, 30 WAKE FOREST L. REV. 197, 198 n.5 (1995) (stating that, in Gibson's vision, cyberspace was a "consensual hallucination that felt and looked like physical space but actually was a computer-generated construct representing abstract data") (quoting EDWARD A. CAVAZOS & GAVINO MORIN, *CYBERSPACE AND THE LAW: YOUR RIGHTS AND DUTIES IN THE ON-LINE WORLD* (1994)).

³ "Publication" is defined as:

The distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute a publication.

17 U.S.C. § 101.

⁴ For example, for-profit retrieval companies like CARL Corp. and Information Access have, in the past, typed or electronically scanned in a published piece, uploaded it to a database,

online copyright infringement⁵ is alleged, the question becomes—whom, in addition to the direct infringer, should the copyright owner seek to hold liable? Specifically, what ought to be the liability of the online service provider (OSP) for acts of infringement by users of the service? This question has elicited numerous responses—in the forms of inconsistent court opinions, a report of a Presidential task force, and proposed legislation in the House and Senate. It remained unanswered until October 28, 1998—the date the Digital Millennium Copyright Act (DMCA)⁶ was signed into law.⁷

and then charged customers for each “hit” (*i.e.*, online retrieval). *See* Edwin Diamond & Stephen Bates, *Law and Order Comes to Cyberspace*, *TECH REV.* (OCT. 1995) (visited Apr. 4, 1999) <<http://www.techreview.com/articles/oct95/Diamond.html>>.

⁵ For a discussion of the elements of copyright infringement, see *infra* notes 26–39 and accompanying text.

⁶ Pub. L. No. 105-304, §§ 1–505, 112 Stat. 2860 (1998).

⁷ The DMCA’s five Titles make several major changes to the existing copyright law. Title I, the “WIPO (World Intellectual Property Organization) Copyright and Performances and Phonograms Treaties Implementation Act of 1998,” implements two 1996 international intellectual property treaties, *see* DMCA §§ 101–105, affording “writers, artists, and other creators of copyrighted material global protection from piracy in the digital age.” *See* Statement by President William J. Clinton Upon Signing H.R. 2281, 34 WEEKLY COMP. PRES. DOC. 2168 (Nov. 2, 1998), *reprinted in* 1998 U.S.C.C.A.N. 645, 677. Title I adds new sections 1201 and 1202 to the Copyright Act, prohibiting individuals from gaining unauthorized access to a copyrighted work by circumventing a technological protection measure put in place by the copyright owner. *See* DMCA § 103 (to be codified at 17 U.S.C. § 1201 (a)(1)). To “circumvent a technological protection measure” is to “descramble a scrambled work, to decrypt an encrypted work, or otherwise avoid, bypass, remove, deactivate, or impair a technological protection measure.” DMCA § 103 (to be codified at 17 U.S.C. § 1201(a)(3)). Title II, discussed herein, establishes limited liability of Online Service Providers (OSPs) for copyright infringement. *See* DMCA §§ 201–203. Title III, the “Computer Maintenance Competition Assurance Act,” reverses the Ninth Circuit in *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993), by providing that it is not an act of copyright infringement for a computer owner to make or authorize the making of a copy of a computer program solely for the purposes of computer maintenance or repair. *See* DMCA §§ 301–302. Title IV contains six “Miscellaneous Provisions,” including one which exempts ephemeral recordings from copyright infringement under certain conditions and expands the 1976 Act’s fair use exemption for libraries and archives. *See* DMCA §§ 401–407. Finally, Title V, the “Vessel Hull Design Protection Act” (VHDP), by creating *sui generis* protection for boat hull designs, effectively overrules the United States Supreme Court in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) (striking down, as preempted by federal patent law, a Florida statute that protected from copying boat hull designs, which in and of themselves, did not qualify for patent protection). *See* DMCA §§ 501–505. Contrary to popular belief, the Act does not provide blanket protection for designs. Moreover, databases remain unprotected by the copyright law. However, such review is beyond the scope of this Note.

The 105th Congress’s involvement in the copyright arena does not end with the DMCA. One day prior to the DMCA’s enactment, October 27, 1998, President Clinton signed into law

The college student who, without permission, uploads⁸ copyrighted music onto the Internet and the student who downloads⁹ it are direct infringers.¹⁰ However, the owner of the copyright in the music faces two obstacles in proceeding against such individuals. First, it may be difficult to pinpoint the identity of the direct infringer. Second, even if the direct infringer is located, it is unlikely that such individual will have the "deep pockets" necessary to satisfy a judgment. Because the Copyright Act imposes joint and several liability¹¹ for copyright infringement, the most promising option for the copyright owner would appear to be to employ a direct, contributory, or vicarious liability theory to reach the "deep pockets" of OSPs.¹²

S. 505, Pub. L. No. 105-298, 112 Stat. 2827 (1998). Title I, the "Sonny Bono Copyright Term Extension Act," extends by twenty years the duration of all copyrights. *See id.* § 102. Thus, the duration of copyright in a work created on or after January 1, 1978, is extended from life of the author plus 50 years to the life of the author plus 70 years. *See id.* Additionally, the Act provides that works for hire and anonymous or pseudonymous works are subject to terms of 95 years from the date of first publication or 120 years from date of creation, whichever expires first. *See id.* The copyright term extension provisions became effective immediately. For a general discussion of the duration of copyright protection, see SHELDON W. HALPERN ET AL., FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW: COPYRIGHT, PATENT, AND TRADEMARK 131-39 (1999). Title II of S. 505, the "Fairness in Music Licensing Act of 1998," amends § 110(5) of the 1976 Act by expanding the rights of certain businesses and restaurants to provide background music without paying royalties. *See* Pub. L. No. 105-298, 112 Stat. 2827.

⁸ "Uploading" refers to the transfer of information from an Internet user's personal computer to the Internet. *See* Karen S. Frank, *Potential Liability on the Internet*, 437 PLI/PAT 417, 425 (1996) (providing a glossary of Internet terminology).

⁹ "Downloading" refers to the transfer of information from the Internet to an Internet user's personal computer. *See id.*

¹⁰ For a discussion of direct infringement, *see infra* Part II.B.1.

¹¹ *See* 17 U.S.C. § 504 (1994 & Supp. III 1997).

¹² An OSP may also be referred to as an "Internet Access Provider" or an "Internet Service Provider" (ISP) in the literature, and the terms are often used interchangeably. The terms "Internet Access Provider" and "Internet Service Provider" generally refer to companies which provide the tool, by licensing proprietary software and leasing access to computer facilities to subscribers, that allows subscribers to access the Internet (e.g., Netcom Online Communication Services). *See* Frank, *supra* note 8, at 422. In contrast, the term "Online Service Provider" generally denotes a content provider, whether it be a web page provider or an operator of a Bulletin Board Service (BBS). *See id.*

A web page is a digital information site programmed in the computer language HTML which allows users to move directly from that site to another, through the use of highlighted text. This highlighted text indicates that the Web page is linked to another page or Web site, which includes information of the same matter. *See id.*

A BBS may, but need not, be connected to the Internet. A BBS could be a single personal computer with a few transmission lines or a larger service like CompuServe, which provides

Prior to the enactment of the DMCA, the few federal court opinions which addressed OSP liability attempted to apply traditional copyright principles of vicarious and contributory liability. Offering little guidance to future courts eagerly in search of precedent as they sought to apply the existing copyright law to an environment characterized by changing technology, these courts reached divergent and sometimes confusing conclusions. Further, OSPs feared that the Ninth Circuit's expansive treatment of contributory and vicarious liability in the non-Internet case of *Fonovisa, Inc. v. Cherry Auction, Inc.*¹³ would be adopted in cases in which they faced the possibility of liability for the infringing activities of their subscribers.

The release of The White Paper,¹⁴ the first articulation by any presidential administration regarding the relationship between intellectual property law and the Internet, spurred additional, divergent approaches to the problem of OSP copyright infringement liability. While OSPs supported legislative efforts to minimize their liability, critics of such legislation believed it would eliminate any incentive for OSPs to discourage copyright infringement on their systems.¹⁵ Most commentators agreed that a delicate balance must be struck which provided protection of copyrights in cyberspace without stunting the Internet's growth,¹⁶ but it is at this point that the opinions diverged.

both closed host content and access to the Internet. A BBS operator can "upload" (transfer information from one's personal computer to the BBS system) content to the BBS so that its subscribers may access the information. *See id.* at 423.

Because many services like America Online and Prodigy provide both connective (access) and content-based services, they are referred to as "hybrid services." These hybrids may create databases which can only be accessed by their subscribers. *See id.* Strictly speaking, the term "ISP" would not refer to "hybrid" services such as America Online, and thus, this Note uses "OSP" as a catch-all term referring to connective, content-based, and hybrid services.

¹³ 76 F.3d 259 (9th Cir. 1996).

¹⁴ *See* INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS (1995) [hereinafter The White Paper]. Single copies of The White Paper may be obtained, free of charge, by sending a written request to: "Intellectual Property and the NII," Office of Legislative and International Affairs, U.S. Patent and Trademark Office, Box 4, Washington, D.C. 20231. The report may also be downloaded from the IITF Bulletin Board at <<http://iitf.doc.gov>>.

¹⁵ *See* Daniel R. Cahoy, *Comment: New Legislation Regarding On-line Service Provider Liability for Copyright Infringement: A Solution in Search of a Problem?*, 38 IDEA 335, 335 (1998) (arguing that the current copyright regime and the attendant body of common law provides an adequate basis upon which the courts may rely, and, as a result, a dramatic change in the Copyright Act exempting online service providers from liability, in the words of The White Paper, is—at best—premature).

¹⁶ *See* Joseph Levi, *Will Online Service Provider Liability Unravel the Web?*, 477 PLI/PAT 547, 547 (1996) (discussing steps OSPs may take to minimize their infringement

Prior to the enactment of the DMCA, the issue—should OSPs be held liable for the infringements of their subscribers—remained unresolved. In Part II, this Note provides a basic introduction to the law of copyright, specifically, the theories of copyright infringement liability. Part III examines how the copyright law was applied before the DMCA's enactment, with particular emphasis on the probable impact of *Fonovisa's* expansion of contributory and vicarious liability theories. In Part IV, this Note outlines earlier Congressional attempts to legislate an exemption for OSPs and reviews criticisms levied against these proposals. Part V responds to these criticisms, arguing that without such legislation, the imposition of infringement liability on OSPs would impact disastrously upon the future of the Internet. In Part VI, this Note explains how the DMCA's limitations on liability or "safe harbors," address OSP concerns. From this analysis, this Note concludes that the scope of the DMCA remains unclear—as the courts have yet to apply the safe harbors in their infringement analyses.

II. THE ROAD ALREADY TRAVELED: THE LAW OF COPYRIGHT

A. *Copyrightability*

Copyright is a property right which exists in "original works of authorship fixed in any tangible medium of expression."¹⁷ Section 102 of the Copyright Act sets forth three conditions for copyrightability: "[F]irst, a work must be fixed in a tangible form; second, the work must be an original work of authorship; and third, it must come within the subject matter of copyright."¹⁸

1. *Fixation and Attachment*

"[A] work [is] considered 'fixed in a tangible medium of expression' if there has been an authorized embodiment in a copy or phonorecord and if that embodiment 'is sufficiently permanent or stable' to permit the work to be 'perceived, reproduced, or otherwise communicated' for a period of more than transitory duration."¹⁹ There is little controversy in establishing fixation of information transmitted across the Internet. Works which have been transmitted online have been held to be sufficiently fixed and thus, entitled to protection under copyright law.²⁰

liability in the absence of a statutory liability limitation).

¹⁷ 17 U.S.C. § 102(a) (1994).

¹⁸ *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 668 (7th Cir. 1986) (footnote omitted).

¹⁹ H.R. REP. NO. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5666.

²⁰ *See Sega Enters. v. MAPHIA*, 948 F. Supp. 923, 931-32 (N.D. Cal. 1996). Courts

2. Originality and Creativity: The Minimal Threshold²¹

The Seventh Circuit has declared that “[t]he requirement of originality actually subsumes two separate conditions, i.e., the work must possess an independent origin and a minimal amount of creativity. A work is original if it is the independent creation of its author. A work is creative if it embodies some modest amount of intellectual labor.”²²

3. The Subject Matter of Copyright

Not only must a work be fixed in a tangible medium of expression and possess a minimum degree of creativity and originality to obtain copyright protection, but also it must fall within a category of copyrightable works. Section 102(a) of the Copyright Act lists the categories of copyrightable works, which include: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.²³ Copyright owners who feel their exclusive rights are being infringed may seek to hold someone liable under one of the three theories of copyright infringement liability.

have so held even though the House Report accompanying the 1976 Copyright Act states that the definition of fixation would exclude from the concept purely evanescent or transitory reproductions such as those captured momentarily in the memory of a computer. *See* H.R. REP. NO. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659.

Such Internet transmission necessitates the creation of files. *See* Frank, *supra* note 8, at 427. For example, an e-mail file remains at the POP (Post Office Protocol) Server for the addressee’s Internet service provider until it is retrieved by the addressee. Even after the e-mail is read and deleted by the addressee, the e-mail message remains on the access provider’s system until new information is “written” on top of it. *See id.* Sending a message to a Usenet newsgroup which caused the reproduction of portions of a copyrighted text on the storage devices of a BBS and an Internet access provider was found to create “copies” for purposes of the Copyright Act of 1976. In *Religious Tech. Ctr., Inc. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), the court noted that even though the messages remained on OSPs’ systems for at most a period of eleven days, they were sufficiently “fixed” to constitute copies. *See id.* at 1368; *see also*, The White Paper, *supra* note 14, at 66.

²¹ *See* SHELDON W. HALPERN ET AL., COPYRIGHT: CASES AND MATERIALS 56 (1992).

²² *Baltimore Orioles*, 805 F.2d at 668; *see also* *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346 (1991) (stating that the originality/creativity requirement is a constitutional prerequisite to copyrightability).

²³ *See* 17 U.S.C. § 102(a).

B. *The Three Theories of Liability for Copyright Infringement*

Subject to the exemptions and limitations detailed in sections 107 through 120, the Copyright Act gives a copyright holder the exclusive rights to, or license anyone to: (a) reproduce the copyrighted work; (b) prepare derivative works; (c) publicly distribute copies of the copyrighted work; (d) publicly perform the copyrighted work; and (e) publicly display the copyrighted work.²⁴ A copyright is infringed when someone violates any of these exclusive rights of the copyright owner.²⁵ Such direct infringement is but one form of liability; theories of vicarious and contributory infringement can extend liability beyond the direct infringement.

1. *Direct Infringement*

In order to prevail in a suit for direct infringement of a copyright, the plaintiff must prove (1) ownership of a valid copyright²⁶ and (2) a defendant's violation of one of plaintiff's exclusive rights.²⁷ Direct infringement does not require intent or any particular state of mind,²⁸ although knowledge is relevant to

²⁴ See 17 U.S.C. § 106. For a detailed discussion of "the copyrights," see HALPERN ET AL., *supra* note 7, at 66–112.

²⁵ See 17 U.S.C. § 501. The term "copying" is sometimes used as "shorthand for the infringing of any of the copyright owner's five exclusive rights." S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 n.3 (9th Cir. 1989).

²⁶ A certificate of registration from the U.S. Copyright Office is *prima facie* evidence of the validity of a copyright. See 17 U.S.C. § 410(c).

²⁷ See *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204 (9th Cir. 1988); *Baxter v. MCA, Inc.*, 812 F.2d 421, 423 (9th Cir. 1987).

²⁸ The strict liability for copyright infringement imposed by the Copyright Act contrasts with another area of law in which OSPs faced liability—defamation. Until the enactment of the Communications Decency Act of 1996 (CDA), there was a split in the courts regarding the liability of OSPs for defamatory statements published on their sites. A recent decision held that where a BBS exercised little control over the content of the material on its service, it was more like a "distributor" than a "republisher" and thus was only liable for defamation occurring on its system when it knew or should have known of the defamatory statements. See *Cubby, Inc. v. CompuServe, Inc.*, 776 F. Supp. 135, 142 (S.D.N.Y. 1991); *cf. Stratton Oakmont, Inc. v. Prodigy Servs. Co.*, 23 Media L. Rep. (BNA) 1794 (N.Y. Sup. Ct. 1995) (holding that Prodigy was a "publisher" because it represented itself as controlling the content of its services and because it used software to automatically prescreen offensive messages). The CDA resolved the debate in favor of no liability for OSPs by adding the safe harbor provision found in section 509 of the CDA. See 47 U.S.C. § 230(c)(1) (Supp. II 1996); see also Jose I. Rojas, *The Internet and Content Control: Liability of Creators, Distributors and End-Users*, 471 PLI/PAT 203, 212 (1997) (comparing OSP liability for defamation and copyright infringement and correctly predicting that, after years of court battles and intense lobbying, Congress would adopt a

the award of statutory damages.²⁹ Thus, a defendant can be found liable for direct infringement regardless of whether or not he or she knew that the actions violated one of the plaintiff's exclusive rights.³⁰

Online users who "upload" copyrighted material to the Internet or a BBS may be direct infringers. However, because these users tend to have more shallow pockets than OSPs, the more lucrative action for a copyright owner seeking damages for pre-DMCA infringement of copyright was often to proceed against an OSP under a contributory or vicarious liability theory.

2. Contributory Infringement

Although it is not recognized specifically in the Copyright Act, "the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another."³¹ In order to prevail in a suit for contributory infringement of a copyright, the plaintiff must establish, in addition

provision (similar to the CDA's safe harbor) shielding OSPs from copyright infringement liability). The CDA's safe harbor provides: "No provider or user of interactive computer services shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 230(c)(1).

²⁹ Statutory damages allow for a recovery in the amount of "not less than \$500 or more than \$20,000" per infringing occurrence. *See* 17 U.S.C. § 504(c)(1); *see, e.g.*, *Playboy Enters., Inc. v. Webbworld, Inc.*, 968 F. Supp. 1171, 1177 (N.D. Tex. 1997) (awarding \$500 for each of 620 occurrences for a total of \$310,000 against operators of a web site where copying of plaintiff's copyrighted works continued after issuance of a preliminary injunction). In a case in which a court finds that infringement was willful, the award may be increased to a sum of not more than \$100,000. *See* 17 U.S.C. § 504(c)(2). However, if the court finds that the defendant was an "innocent infringer," one with no reason to believe his conduct constituted an infringement, an order may be issued to reduce the award to a sum of no less than \$200. *See id.* Because actual damages can be difficult to prove, plaintiffs may elect to receive statutory damages instead. Statutory damages are awarded by the trial court in an amount "that appears to be just." *Id.* § 504(c)(1). For a further discussion of factors courts consider when fashioning an award, *see HALPERN ET AL., supra* note 7, at 165–66.

³⁰ *See D.C. Comics Inc. v. Mini Gift Shop*, 912 F.2d 29 (2d Cir. 1990) (illustrating that a finding of innocent infringement does not absolve defendant of liability).

³¹ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984) (noting that the origin of contributory liability lies in the tort law notion that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the primary tortfeasor). In *Sony*, a seminal case in copyright law, Universal Studios sued Sony Corporation, alleging that Sony's sales of Betamax videotape recorders contributed to individuals' unauthorized copying of Universal's copyrighted programs. In holding that Sony's sales of Betamax recorders did not constitute contributory infringement, the United States Supreme Court enunciated the "substantial, noninfringing uses" exception to contributory infringement liability. *See id.* at 442.

to the underlying direct infringement, that (1) the defendant had the requisite knowledge³² of the infringing activity, and (2) the defendant “induc[ed], caus[ed], or materially contribut[ed] to the infringing activity”³³ of the direct infringer.³⁴ Contributory infringement liability may also be based on the provision of services or equipment related to the direct infringement.³⁵

3. Vicarious Infringement

Although contributory infringement liability focuses on the defendant’s relation to the direct infringement, vicarious infringement liability focuses on the defendant’s relationship to the direct infringer. In order to prove vicarious infringement liability, the plaintiff must establish, in addition to the direct infringement, that the third party defendant (1) had the right and ability to supervise or control the direct infringer and (2) received a direct financial benefit from the infringement of the copyrighted work.³⁶

³² The knowledge element is objective. That is, the alleged contributory infringer must know or have reason to know that a direct infringement is occurring. *See Cable/Home Communication Corp. v. Network Prod. Inc.*, 902 F.2d 829, 845 (11th Cir. 1990); *see also Sony*, 464 U.S. at 487 (stating “it is sufficient that the defendant have reason to know that the infringement is taking place”).

³³ *Cable/Home*, 902 F.2d at 845.

³⁴ *See Gershwin Publ’g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1163 (2d Cir. 1971). In *Gershwin*, the American Society of Composers, Authors, and Publishers (ASCAP) sued Columbia for copyright infringement arising out of a public performance of “Bess, You is My Woman Now,” at a for-profit concert sponsored by a local community association without the permission of Gershwin. The Second Circuit held that Columbia’s participation in the formation, direction, and programming of the community concert association placed it in a position to police the conduct of the artists. Thus, Columbia was found liable for contributory infringement.

³⁵ *See supra* note 31. For a discussion of the application of contributory infringement liability to OSPs, *see infra* Part III.B and Part III.D.

³⁶ *See William O. Ferron et al., On-line Copyright Issues: Recent Case Law and Legislative Changes (Part II)*, 14 NO. 2 COMPUTER L. (Feb. 1997). Vicarious liability is an outgrowth of the agency principle of respondeat superior. *See Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) (noting that respondeat superior imposes liability on an employer for the copyright infringements of its employee). Shapiro and Bernstein, owners of copyrights in several musical compositions, alleged that H.L. Green Co. Department Store was vicariously liable for the infringing activities of concessionaires selling bootleg records at the store. The Second Circuit found H.L. Green vicariously liable, reasoning:

When the right and ability to supervise coalesce with an obvious direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired, the purposes of copyright law may best be effectuated by the imposition of liability upon the beneficiary of the exploitation.

The doctrine of vicarious infringement liability was developed in the landlord-tenant/dancehall-performer cases. Courts repeatedly hold that a landlord is not vicariously liable for the infringing activities of a tenant if (1) the landlord leased the property without notice of any upcoming infringement, (2) at a fixed rental rate, and (3) did not exercise any supervision over the tenant.³⁷ Similarly, in the dancehall cases, owners of nightclubs and lounges have been found vicariously liable for the infringing activities of musical acts who perform at their premises because of their overall ability to supervise the music which is performed and because they receive a "direct financial benefit" from performances which "draw" customers into the club, thus creating revenue.³⁸ However, there are "dancehall cases" in which nightclub owners have been found not liable because they do not obtain a direct financial benefit from the infringing activities occurring within their establishments.³⁹ A nightclub owner getting a percentage "cut" from the cover charge for a performance at which infringing music is played receives a *direct* financial benefit from infringing activity. If the nightclub act attracts customers who then purchase alcoholic drinks from the nightclub owner's bar, the nightclub owner receives an *indirect* financial benefit.

These cases indicate that the greater the degree of control the owners or proprietors exercise over those using their facilities, the more likely a court is to find that such owners satisfied the first prong of the vicarious infringement liability test. Additionally, the landlord/dancehall cases demonstrate that if the owners or proprietors receive only a flat rental fee for the use of their "establishments" facilities, it is highly unlikely that they will be found to have any "financial interest" in the infringing conduct occurring on the premises. However, if the infringing activity directly creates increased attendance and/or sales for the owners or proprietors of the establishments, a court is likely to find that they received a financial benefit and satisfied the second prong of the vicarious infringement liability test.

Id. (citations omitted).

³⁷ See Frank, *supra* note 8, at 429; see, e.g., *Duetsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938).

³⁸ See, e.g., *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354, 355 (7th Cir. 1929).

³⁹ See, e.g., *Roy Export Co. v. Trustees of Columbia Univ.*, 344 F. Supp. 1350, 1353 (S.D.N.Y. 1972) (holding that the defendants were not vicariously liable because the entrance fee was paid to the performer and the performer paid only a flat fee to the owner of the establishment).

III. TERRA INCOGNITA: PRIOR TO THE DMCA, ONLINE SERVICE PROVIDER LIABILITY FOR COPYRIGHT INFRINGEMENT WAS LARGELY UNDEFINED

Prior to enactment of the DMCA, one commentator referred to liability for copyright infringement online as “terra incognita”⁴⁰—unknown land. Very few decisions addressed OSP infringement liability, and those that did failed to clarify the application of traditional copyright concepts to the Internet terrain.⁴¹ Rather, courts addressing the issue of OSP copyright infringement liability reached inconsistent conclusions. An examination of the pre-DMCA cases demonstrates that the law lacked clarity and was threatened by the judiciary’s misapplication of traditional copyright concepts—illustrating the need for legislative guidance.

A. Direct Copyright Infringement Liability of OSPs

1. *The Playboy Case*

The first reported decision in which a court confronted the issue of copyright infringement liability online was *Playboy Enterprises, Inc. v. Frena*,⁴² in which it was held that a BBS operator could be liable for publicly distributing or displaying copies of copyrighted works uploaded by its subscribers. The defendant operated a BBS upon which fee-paying subscribers could upload and download erotic photographs, one hundred and seventy of which were copyrighted Playboy images.⁴³ The defendant BBS operator claimed that he was unaware that the Playboy copyrights were being infringed on his system, even though he maintained files entitled “Playboy” and “Playmate.”⁴⁴ The court granted partial summary judgment for the plaintiff, finding the defendant liable for direct copyright infringement of Playboy’s exclusive rights of public display and distribution because he “supplied a product [to his subscribers] containing unauthorized copies of a copyrighted work.”⁴⁵ Noting that knowledge is only relevant to the issue of the amount of statutory damages,⁴⁶ not liability,⁴⁷ the

⁴⁰ See Frank, *supra* note 8, at 421.

⁴¹ See *id.* at 421–22.

⁴² 839 F. Supp. 1552 (M.D. Fla. 1993).

⁴³ See *id.* at 1554.

⁴⁴ *Id.*

⁴⁵ *Id.* at 1156. It should be noted that the court did not conclude that the BBS operator had violated the plaintiff’s reproduction right. See *id.*

⁴⁶ For a discussion of statutory damages, see *supra* note 29 and accompanying text.

⁴⁷ See *Playboy*, 839 F. Supp. at 1559.

court rejected Frena's defense that he was unaware of the infringement.

2. Sega I

*Sega Enterprises Ltd. v. MAPHIA (Sega I)*⁴⁸ illustrates that, without legislative guidance, courts were likely to confuse the doctrines of direct and contributory infringement liability when applying them to questions of OSP liability. In this case, the OSP was a BBS operated by the defendant which contained copyrighted video games owned by Sega. The defendant solicited its fee-paying subscribers to upload Sega's copyrighted video games to the BBS and sold "copiers" which facilitated the making of unauthorized copies of the Sega games.⁴⁹ The *Sega I* court held that a prima facie case of direct copyright infringement had been established because "unauthorized copies of [Sega's] games are made when such games are uploaded to the MAPHIA bulletin board, here with the knowledge of Defendant Scherman [the BBS operator]. These copied games are thereby placed on the storage media of the electronic bulletin board by unknown users."⁵⁰ In other words, the court found that a BBS operator is liable for direct infringement when its users make copies on its BBS. Consequently, the court issued a preliminary injunction against the defendant.⁵¹

Sega I's reference to the "knowledge of Defendant" was troublesome. Though knowledge is not a necessary element of a direct infringement claim, the court's direct infringement holding stressed that the uploading and downloading of Sega games was "particularly known" to the BBS operator who "specifically solicited the copying and expressed the desire that [the] video game programs be placed on the MAPHIA bulletin board for downloading purposes."⁵² The *Sega I* court's apparent misunderstanding of the difference between direct and contributory infringement made even more apparent the need for a legislative solution to guide the courts in their application of copyright infringement liability doctrines to OSPs.

3. Netcom

Fearing the widespread application of a strict liability standard for direct infringement signaled by *Playboy*, OSPs embraced the direct infringement ruling in *Religious Technology Center v. Netcom On-line Communication Services*,

⁴⁸ 857 F. Supp. 679 (N.D. Cal. 1994).

⁴⁹ See *id.* at 683–84.

⁵⁰ *Id.* at 686–87 (emphasis added). The *Sega I* decision was rendered on plaintiff's motion for a preliminary injunction.

⁵¹ See *id.* at 689.

⁵² *Id.* at 683.

*Inc.*⁵³ In *Netcom*, representatives of the Church of Scientology sued Dennis Erlich, a former Scientology minister turned vocal critic of the Church, for copyright infringement and misappropriation of trade secrets. The Church alleged that Erlich infringed their copyrights when he made several postings to the "Usenet"⁵⁴ newsgroup "alt.religion.scientology" which contained excerpts of L. Ron Hubbard's copyrighted works.⁵⁵ Erlich admitted "copying" but argued that his use of the works was a fair use.⁵⁶ On September 22, 1995,⁵⁷ the court

⁵³ 907 F. Supp. 1361 (N.D. Cal. 1995).

⁵⁴ The Usenet has been described as a "worldwide community of electronic BBSs that is closely associated with the Internet." DANIEL P. DERN, *THE INTERNET GUIDE FOR NEW USERS* 196 (1994). The messages in Usenet are organized into thousands of topical groups called "newsgroups." Usenet users read and contribute ("post") to their local Usenet site. Each local site distributes its users' postings to other Usenet sites and receives postings from other sites. Usenet is read and contributed to on a daily basis by millions of people. There is no specific network that constitutes the Usenet. Instead, Usenet traffic flows over a wide range of networks, including the Internet and dial-up phone links. *See id.* at 196-97.

⁵⁵ *See Netcom*, 907 F. Supp. at 1365-66.

⁵⁶ A copyright owner's exclusive rights to reproduce, display, and distribute a copyrighted work are limited by the "fair use" defense. *See* 17 U.S.C. § 107 (1994). The defense "permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994). Specifically, § 107 states that:

Notwithstanding the provisions of section 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, *for purposes such as criticism*, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107 (emphasis added). Balancing the four factors during its consideration of plaintiff's motion for summary judgment, the *Netcom* court found that "the percentage of plaintiffs' works copied combined with the minimal added criticism or commentary negates a finding of fair use." *Religious Tech. Ctr. v. Netcom On-line Communication Serv., Inc.*, 923 F. Supp. 1231, 1249 (N.D. Cal. 1995). For an in-depth discussion of the fair use defense, see HALPERN ET AL., *supra* note 7, at 115-31.

⁵⁷ After issuing a temporary restraining order (TRO) against all defendants without providing them with advance notice, the court dissolved the TRO against *Netcom* and

rejected Erlich's fair use defense and granted a preliminary injunction against him.⁵⁸

The Church also named Tom Klemesrud, the operator of the BBS to which Erlich subscribed, and Netcom, the access provider that enabled Klemesrud to connect to the Internet, as defendants in both direct and contributory copyright infringement claims.⁵⁹ The Church alleged that Netcom was liable for direct copyright infringement because Erlich's postings remained on its server for a period of time.⁶⁰

On November 21, 1995, the *Netcom* court found that Klemesrud's posting of unauthorized copies and Klemesrud's and Netcom's storage and retransmission of the infringing copies on their respective computer systems uploaded by an infringing user did not constitute direct infringements⁶¹ of the exclusive rights of reproduction, public distribution, or public display.⁶² Interestingly, the court

Klemesrud. *See Religious Tech. Ctr., Inc. v. Netcom On-line Communication Servs., Inc.*, No. C-95-20091 RMW, 1995 WL 86532, at *1 (N.D. Cal. Feb. 23, 1995).

⁵⁸ *See Netcom*, 923 F. Supp. at 1258.

⁵⁹ *See Netcom*, 907 F. Supp. at 1361. For a discussion of *Netcom*'s contributory infringement analysis, see *infra* Part III.B.

⁶⁰ *See Netcom*, 907 F. Supp. at 1367-69.

⁶¹ *See id.* at 1373, 1381-82. Usenet's structure was an important element influencing *Netcom*'s direct infringement holding. *See supra* note 54. Erlich accessed the Internet by using a personal computer and a modem in his home to connect to defendant Klemesrud's BBS, to which Erlich was one of 512 subscribers paying an annual fee. Klemesrud's BBS was connected to the Internet through a subscription with Netcom which allowed Klemesrud to lease access to the Internet at a fixed rate. The *Netcom* court described the basic process that occurred when Erlich posted his messages to the "alt.religion.scientology" newsgroup as follows:

Erlich connects to Klemesrud's BBS using a telephone and a modem. Erlich then transmits his messages to Klemesrud's computer, where they are automatically briefly stored. According to a prearranged pattern established by Netcom's software, Erlich's initial act of posting a message to the Usenet results in the automatic copying of Erlich's message from Klemesrud's computer onto Netcom's computer and onto other computers on the Usenet. In order to ease transmission and for the convenience of Usenet users, Usenet servers maintain postings from newsgroups for a short period of time—eleven days for Netcom's system and three days for Klemesrud's system. Once on Netcom's computers, messages are available to Netcom's customers and Usenet neighbors, who may then download the messages to their own computers. Netcom's local server makes available its postings to groups of Usenet servers, which do the same for other servers until all Usenet sites worldwide have obtained access to the postings, which takes a matter of hours.

Netcom, 907 F. Supp. at 1367-68.

⁶² Thus, *Netcom* distinguished *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993), which found direct infringement of the reproduction right where the

stated that a finding of direct infringement liability required "some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party,"⁶³ even though the 1976 Act imposes direct liability without regard to intent.⁶⁴ The *Netcom* court concluded that:

It does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet *The court does not find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonably be deterred.*⁶⁵

4. *Sega II*

In 1996, a second opinion in the *Sega* case (*Sega II*) granted plaintiff's motion for summary judgment.⁶⁶ *Sega II* is understood to have endorsed, adopted, and potentially expanded the *Netcom* analysis.⁶⁷ Stressing that Sherman, the BBS operator, did not upload or download the infringing files himself, the *Sega II* court stated that Sherman could not be liable for direct infringement because he did not directly cause the copying.⁶⁸ Instead, the *Sega II* court found the BBS operator liable for *contributory* infringement because (1) he knew that BBS subscribers were copying the *Sega* software, and (2) his operation of the BBS constituted "substantial participation" in the direct infringements.⁶⁹

5. *Frank Music*

In *Frank Music v. CompuServe Inc.*,⁷⁰ plaintiffs (a purported "class" of music publishers) alleged that CompuServe was directly liable for the acts of its

defendant's employee had personally loaded the copyrighted software into RAM. *See Netcom*, 907 F. Supp. at 1368–70.

⁶³ *Netcom*, 907 F. Supp. at 1370 (noting that *Netcom*'s failure to remove Erlich's postings from its system upon receipt of notice was not sufficient to constitute an act of volition).

⁶⁴ *See supra* notes 28–30 and accompanying text.

⁶⁵ *Netcom*, 907 F. Supp. at 1372 (emphasis added).

⁶⁶ *See Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923 (N.D. Cal. 1996).

⁶⁷ *See* Jeffrey P. Cunard & Albert L. Wells, *The Evolving Standard of Copyright Liability Online*, in LITIGATING COPYRIGHT, TRADEMARK AND UNFAIR COMPETITION CASES 1997, at 365, 382 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. G-497, 1997).

⁶⁸ *See Sega II*, 948 F. Supp. at 932.

⁶⁹ *See id.* at 932–33.

⁷⁰ No. 93 Civ. 8153 (S.D.N.Y. 1993).

subscribers, who had uploaded to and downloaded from a CompuServe Forum sound recordings of the publishers' copyrighted musical compositions. Reportedly, CompuServe settled the case by agreeing to pay a royalty⁷¹ reflecting the number of times each one of plaintiff's songs was downloaded through its network.⁷² The terms of the settlement and licensing arrangement suggested a method in which OSPs may minimize their liability for the infringing acts of their subscribers. The agreement was "structured to reflect the CompuServe business model, in which content areas ("Forums") are managed by independent contractors ("Forum Managers") who select, edit and assume responsibility for the content of the Forums."⁷³ Thus, it was the responsibility of the Forum Managers, not CompuServe itself, to obtain licenses from the Harry Fox Agency.⁷⁴ The settlement agreement specifically stated that "CompuServe assumes no subsequent liability . . . for allegedly infringing downloads from a Forum unless CompuServe had actual knowledge that licensable music files were being uploaded to that Forum."⁷⁵

Based upon this analysis of the few reported OSP direct infringement cases, it is clear that, without legislative guidance, a court could have gone either way on this issue. A copyright owner would argue that *Sega I* and *Playboy* demonstrate that the strict liability standard should be applied to OSPs. However, OSPs would argue that *Netcom* and *Sega II* require some evidence of volition, even though it is not an element of a direct infringement claim. The *Playboy* and *Sega I* decisions prompted OSPs to "believe that their industry was facing a crisis arising from the application of the strict liability standard. Content owners, conversely, viewed the Internet and online services as presenting a crisis for them: a cheap and universal medium for the unauthorized copying and distribution of their works."⁷⁶ Prior to enactment of the DMCA, OSPs defending a direct infringement claim would have hoped that the court hearing the action

⁷¹ The royalty was paid to Frank Music's agent, the Harry Fox Agency.

⁷² See Howard Siegel & David J. Stein, *Music Performance Rights on the 'Net': Continuing Uncertainty Over Cybercasting*, N.Y.L.J., Nov. 3, 1997, at S4; see also *CompuServe Settles a Suit on Copyright Infringement*, WALL ST. J., Nov. 8, 1995, at B11.

⁷³ *Cunard & Wells*, *supra* note 67, at 381–82. For further discussion of the terms of the settlement, see *id.* (written by attorneys for the law firm which represented clients in the case).

⁷⁴ The Harry Fox Agency was established in 1927 as a subsidiary of the National Music Publishers' Association (NMPA) to license copyrighted musical compositions for use in, *inter alia*, commercial records, tapes, and CDs; audiovisual works including motion pictures and cable television programs; and TV and radio advertising. Currently the Agency represents more than 20,000 music publishers. See About HFA (visited Mar. 27, 1999) <<http://www.nmpa.org/nfa.html>>.

⁷⁵ *Cunard & Wells*, *supra* note 67, at 381–82.

⁷⁶ *Id.* at 372.

would rely upon the *Netcom* decision instead of *Playboy* or *Sega I*. Now OSPs can rest easy in the knowledge that section 512(a) of the DMCA essentially codifies *Netcom*.⁷⁷

B. Contributory Infringement Liability of OSPs

*Netcom*⁷⁸ illustrated that the prerequisites for contributory infringement liability are the same online as they are offline—knowledge plus substantial participation.⁷⁹ In regard to the first prong of the contributory infringement test, the court refused to grant *Netcom*'s motion for summary judgment, ruling that *Netcom* could be liable as a contributory infringer if plaintiffs could prove that *Netcom* knew that the infringing material resided on its system.⁸⁰

On the second prong of the contributory infringement test, the *Netcom* court followed the traditional model in holding that a defendant might be liable for contributory infringement if the defendant, with knowledge of the infringing activity, “induces, causes or materially contributes to the infringing conduct of” the primary infringer,” and that participation is substantial.⁸¹ The court noted that *Netcom*'s “providing a service which allows for the automatic distribution of all Usenet postings, infringing and non-infringing,” raised a triable question of fact as to whether *Netcom* substantially aided *Erich* in accomplishing his purpose of publicly distributing the postings by not removing the infringing content from its system.⁸² Further, the court found plaintiff's pleadings sufficient

⁷⁷ See *infra* Part VI.A.

⁷⁸ For a discussion of the facts of *Netcom*, see *supra* Part III.A.3.

⁷⁹ See *supra* Part II.B.2; see also *Cunard & Wells*, *supra* note 67, at 379.

⁸⁰ The court noted that because *Erich*'s infringing activity continued after *Netcom* received notice of the infringement claim, there may be a question of fact as to whether *Netcom* knew or should have known that *Erich*'s activities were infringing. See *Religious Tech. Ctr. v. Netcom On-line Communication Servs., Inc.*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995). *Netcom* countered that it should not be liable under any theory of liability because its use constituted a fair use. The *Netcom* court found that a question of fact regarding the fair use defense remained, in light of the evidence that *Netcom* knew *Erich*'s use was infringing, that *Netcom*'s copying was not for commercial purposes, and that questions remained regarding the effect of *Erich*'s copying on the market for L. Ron Hubbard's works. See *id.* at 1380–81. For a discussion of the fair use analysis, see *supra* note 56.

⁸¹ See *Netcom*, 907 F. Supp. at 1375 (quoting *Gershwin Publ'g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

⁸² See *id.* at 1375. Further, the court noted that it would be “fair” to hold *Netcom* liable because it did not relinquish control over how its system was used. *Netcom* had, in the past, suspended the accounts of subscribers who violated its terms and conditions. Additionally, *Netcom* admitted that it might be able to screen postings coming from a particular individual, such as one suspected of infringing copyrights. See *id.* at 1375–76.

to raise a genuine issue of material fact as to whether Klemesrud knew or should have known of Erlich's infringing activities and still induced, caused, or materially contributed to Erlich's infringing conduct.⁸³ *Netcom* provided minimal guidance for subsequent courts facing similar contributory infringement inquiries—these remaining questions of fact were never resolved because the case settled in August of 1996.⁸⁴

C. Vicarious Infringement Liability of OSPs

In their efforts to avoid vicarious copyright infringement liability, OSPs attempted to analogize their businesses to the landlord cases, arguing that, just as landlords do not have the right or ability to control the conduct of their tenants, OSPs do not have the right and ability to control the conduct of their subscribers.⁸⁵ Additionally, OSPs argued that they did not satisfy the second prong of the vicarious liability test because a fixed subscriber fee is similar to the fixed monthly rent a landlord receives from his tenant, and thus, does not constitute a direct financial benefit.

In *Netcom*, plaintiffs sought to hold Netcom vicariously liable by virtue of its relationship with Erlich, arguing that Netcom had the right and ability to control its users' postings before they occurred. Plaintiffs pointed to Netcom's subscriber agreement—which stated that Netcom reserved the right to take remedial action against its subscribers, specifically prohibited copyright infringement, and required that its subscribers indemnify Netcom for any damage to third parties—as evidence of Netcom's right to control the conduct of its subscribers.⁸⁶ Netcom argued that OSPs can be analogized to common carriers like the phone company and maintained that, as a mere passive conduit of Erlich's messages, it did not and could not screen Erlich's messages for infringing content before posting them to the BBS.⁸⁷ Though it found there was a genuine issue of material fact as

⁸³ See *id.* at 1382.

⁸⁴ See Mark Walsh, *Netcom Settlement Could Help Forge Internet IP Policy*, THE RECORDER, Aug. 6, 1996, at 1. Reports indicate that the settlement "required Netcom to post a warning to its subscribers not to use the Netcom service for unlawful transmission of copyrighted materials" and "reportedly required Netcom to establish a written procedure for the handling of future complaints of copyright violation." Cunard & Wells, *supra* note 67, at 380.

⁸⁵ See, e.g., *Netcom*, 907 F. Supp. at 1375. For a discussion of the landlord-tenant/dancehall-performer models of vicarious infringement liability, see *supra* Part II.B.3.

⁸⁶ See *Netcom*, 907 F. Supp. at 1375–76.

⁸⁷ Netcom's counsel argued that holding a mere conduit liable for copyright infringement occurring on its facilities would be like holding the owner of a highway or toll booth liable for the criminal activities that occur on its roads. See *id.* at 1369, n.12. Moreover, Netcom argued that the speed and volume of messages transmitted across the Internet rendered an OSP unable to exercise editorial control over the messages. See *id.* at 1376.

to the control prong, the court dismissed plaintiffs' vicarious infringement claim against Netcom on summary judgment.⁸⁸ The court reasoned that plaintiffs' failure to allege that Klemesrud received any financial benefit was fatal to their vicarious infringement claim against Klemesrud.⁸⁹

The White Paper concluded that "if an entity provided only the wires and conduits—such as the telephone company, it would have a good argument for an exemption if it was truly in the same position as a common carrier and could not control who or what was on its system."⁹⁰ However, OSPs are not bound to carry all the traffic that one wishes to pass through them, as is true with the usual common carrier. The *Netcom* court noted that section 111 of the Copyright Act codifies an exemption for passive carriers who otherwise would be liable for a secondary transmission provided that the carrier does not have any direct or indirect control over the content or selection of the transmission.⁹¹ Finally, the *Netcom* court concluded that Netcom did not fall within this statutory exemption and thus faced the usual strict liability scheme of the 1976 Act. It noted that it was for Congress, and not the courts, to carve out an exemption for OSPs.⁹²

D. Expanding the Boundaries of Contributory and Vicarious Infringement Liability for OSPs?: Fonovisa, Inc. v. Cherry Auction, Inc.

Because *Netcom* ended in settlement, the issue of what constituted participation substantial enough to support a claim for contributory infringement remained unresolved. The expansion of contributory and vicarious infringement boundaries in the recent Ninth Circuit decision of *Fonovisa, Inc. v. Cherry Auction, Inc.*⁹³ appeared likely to have a serious impact upon OSP liability. Fonovisa, owner of copyrights and trademarks in Latin/Hispanic music recordings, sued Cherry Auction swap meet, its manager Pilegard, and individual owners W.D. and Margaret Mitchell for contributory and vicarious copyright infringement. The defendants operated a swap meet in Fresno, California, where

⁸⁸ See *id.* at 1376–77.

⁸⁹ See *id.* at 1382 (explaining that the complaint did not allege that Klemesrud's fee varied in any way with the content of Erlich's postings, nor did it allege that Klemesrud profited in any way from allowing Erlich to infringe plaintiffs' copyrights). The court thereby rejected plaintiffs' indirect financial benefit argument—that although Netcom charged its subscribers a fixed fee, its "policy of refusing to take enforcement actions against its subscribers and others who transmit infringing messages over its computer networks" attracted copyright infringers to its system. See *id.* at 1377.

⁹⁰ The White Paper, *supra* note 14, at 122.

⁹¹ See *Netcom*, 907 F. Supp. at 1369 n.12 (citing 17 U.S.C. § 111(a)(3) (1994)).

⁹² See *id.*

⁹³ 76 F.3d 259 (9th Cir. 1996).

counterfeit recordings of Fonovisa's music were sold by independent vendors who set up booths at the swap meet.⁹⁴ Though the district court found Cherry Auction not liable,⁹⁵ the Court of Appeals for the Ninth Circuit reversed.

1. *Contributory Infringement*

The knowledge element of the contributory infringement claim was undisputed, as plaintiffs had demonstrated that the defendants were aware that plaintiff's copyrights were being infringed because the sheriff's department had executed previous raids at the auction, seizing thousands of counterfeit recordings.⁹⁶ As to the disputed second prong of the contributory infringement test, the court found that Cherry Auction's provision of space, utilities, parking, advertising, plumbing, and customers, "materially contributed" to the direct infringement of the individual vendors.⁹⁷ The *Fonovisa* court noted that "[i]ndeed it would be difficult for the infringing activity to take place in the massive quantities alleged without the *support services* provided by the swap meet."⁹⁸ Possibly even more alarming to OSPs was the *Fonovisa* court's adoption of the Third Circuit's analysis in *Columbia Pictures Industries, Inc. v. Aveco, Inc.*,⁹⁹ that "providing the site and facilities for known infringing activity is sufficient to establish contributory liability."¹⁰⁰

2. *Vicarious Infringement*

The *Fonovisa* court also held that the plaintiff adequately stated a claim for

⁹⁴ See *id.* at 261.

⁹⁵ See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1497 (E.D. Cal. 1994).

⁹⁶ See *Fonovisa*, 76 F.3d at 261. On December 12, 1991, the sheriff's department raided the auction and seized over 38,000 counterfeit recordings and arrested twenty-seven people. The defendants were notified of the raid and its results. On October 19, 1992, the sheriff discovered that the counterfeit sales were continuing. A follow-up letter from the sheriff to Cherry Auction manager Pilegard noted that several vendors abandoned their booths when he arrived and reminded Pilegard of his promise to cooperate with the authorities to obtain the names, addresses, and vehicle license numbers of the vendors. See *Fonovisa*, 847 F. Supp. at 1494. The court concluded that, because defendants refused to comply, they were liable for protecting the identities of the direct infringers. See *Fonovisa*, 76 F.3d at 264. Then, on January 9, 1993, a Fonovisa investigator observed similar sales. One day after serving defendants with a complaint in this action, more counterfeit sales were documented. See *Fonovisa*, 847 F. Supp. at 1494-95.

⁹⁷ See *Fonovisa*, 76 F.3d at 264.

⁹⁸ *Id.* (emphasis added).

⁹⁹ 800 F.2d 59 (3d Cir. 1986).

¹⁰⁰ *Fonovisa*, 76 F.3d at 264.

vicarious liability against the Cherry Auction "marketplace owners." The court held that the control prong was satisfied because the "marketplace owners" patrolled the vendors during the swap meet and organized the event. The court viewed Cherry Auction's reservation of the right to terminate the vendors at any time for any reason as evidence of this control.¹⁰¹ As to the second prong of the vicarious liability test, the court held that the defendants benefited financially by receiving fixed daily rental fees paid by each infringing vendor, and rejected the defendants' argument that a financial benefit could accrue only if the "marketplace owner" earned a commission (a percentage of proceeds received from sales of the infringing tapes). Additionally, the court emphasized that Cherry Auction received financial benefits in the forms of admission fees, parking fees, and proceeds from food sales that "flow directly from customers who want to buy [the bootlegs] at bargain basement prices" even though the fees were not directly tied to the sale of the tapes.¹⁰² In so holding, the *Fonovisa* court demonstrated that the financial benefit received by a vicarious infringer can be direct or indirect.¹⁰³

3. *Fonovisa's Potential Impact Upon OSP Liability*

From the moment the decision was issued, commentators recognized that *Fonovisa* could greatly affect OSP liability.¹⁰⁴ "Never before had third-party infringement liability been assigned to a party so disconnected from the actual infringer or the infringement."¹⁰⁵ *Fonovisa's* broad definitions of the substantial participation prong of the contributory liability test and financial benefit and control prongs of the vicarious liability test would be favorable to "plaintiffs who seek to reach out and touch someone [here, an OSP] in a meaningful, financial

¹⁰¹ See *id.* at 262-63.

¹⁰² See *id.* at 263.

¹⁰³ This holding comports with the legislative history of the Copyright Act. See S. REP. NO. 94-473, at 57 (1975); H.R. REP. NO. 94-1476, at 61 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5659, 5775.

¹⁰⁴ See David Nimmer, *Brains and Other Paraphernalia of the Digital Age*, 10 HARV. J.L. & TECH. 1, 34 n.142 (1996) (stating that *Fonovisa* "provides a liberalization of the standards for vicarious liability in cyberspace"); see also David Goldberg & Robert J. Bernstein, *Contributory Liability for Swap Meets, Internet Providers*, N.Y.L.J., May 17, 1996, at 3.

¹⁰⁵ Kenneth A. Walton, *Is a Website Like a Flea Market Stall? How Fonovisa v. Cherry Auction Increases the Risk of Third-Party Copyright Infringement Liability for Online Service Providers*, 19 HASTINGS COMM. & ENT. L.J. 921, 924 (1997) (arguing that while the *Fonovisa* analysis is flawed and may be used unfairly against OSPs, legislative clarification is unnecessary).

way.”¹⁰⁶

Fonovisa required only a minimal contribution of materials and labor to find contributory liability. A court applying *Fonovisa* to the Internet terrain might have found that providing subscribers basic access to their Internet services (whether it be merely providing Internet access or providing specific content) constituted a sufficient amount of “material contribution” to satisfy the second prong of the contributory infringement test. The analogy has been drawn that the “material contribution” provided by the Cherry Auction owners and operators—“space, utilities, parking, advertising, plumbing, and customers” is little more than what an indoor shopping mall might provide its tenants.¹⁰⁷ Thus, commentators feared that an application of the *Fonovisa* analysis to the Internet context rendered the “substantial participation” prong of the contributory infringement test almost meaningless.¹⁰⁸

David Nimmer warned that applying vicarious infringement liability to OSPs invites “massive lawsuits . . . suffocating the Net through the blind flailing of pre-cyberspace principles.”¹⁰⁹ In a vicarious infringement action against an OSP, a plaintiff might analogize OSPs to a “marketplace owner” because they too derive a financial benefit from the subscriber fees they charge their users. *Fonovisa* would not require that the plaintiff prove that the presence of infringing material on the OSP’s system increased traffic on its system, because it noted that the financial benefit could be direct or indirect. According to Walton, such an analysis would do away with the accepted notion that a landlord with no personal stake in the profits resulting from an infringement is not vicariously liable.¹¹⁰ Further, *Fonovisa* established that the “financial benefit prong can be satisfied by gains that are theoretical, unquantifiable, minor, and remotely related to the infringement.”¹¹¹ One commentator put the issue into perspective, stating: “A shopping mall may benefit financially from customers attracted by a popular tenant. Should this make the mall jointly and severally liable for tenant copyright infringement, if it could be argued that the infringing tenant attracted customers with the popularity of an infringing item?”¹¹²

Moreover, plaintiffs could use *Fonovisa* to argue that OSPs exercise *control* over the activities of their subscribers. OSPs generally enter into contractual

¹⁰⁶ Morgan Shipman, Professor of Law, The Ohio State University College of Law.

¹⁰⁷ See Walton, *supra* note 105, at 943.

¹⁰⁸ See *id.*

¹⁰⁹ Nimmer, *supra* note 104, at 34.

¹¹⁰ See Walton, *supra* note 104, at 943; see also *supra* notes 36–39 and accompanying text.

¹¹¹ Walton, *supra* note 105, at 943 (citing Goldberg & Bernstein, *supra* note 104, at 3).

¹¹² *Id.* at 943.

agreements with their subscribers, much like the swap meet operators did with the individual vendors, which allows the OSP to terminate a subscriber's account at any time. This relative ease with which the marketplace operator of *Fonovisa* could be analogized to an OSP made it likely that future courts would apply *Fonovisa*'s broad interpretations of contributory and vicarious infringement to the Internet context.¹¹³

IV. CHARTING THE COURSE: A LEGISLATIVE HISTORY OF PROPOSALS TO CLARIFY OSP LIABILITY FOR COPYRIGHT INFRINGEMENT

A. Attempts to Achieve Certainty Through Legislation

Whether justified or not in believing that later courts would not follow *Netcom* and *Sega II*,¹¹⁴ OSPs feared that *Playboy*, *Fonovisa*, and *Sega I* would be used as precedent justifying increased liability on their part for the infringing activities of their subscribers. Arguing that the enormous amount of traffic on the Internet made it unfeasible for them to police the activities of their subscribers, OSPs sought to clarify their standard of liability. It is against this uncertain backdrop that amendments to the Copyright Act, which culminated in the passage of the DMCA, were proposed.

1. House Bill 2180 and Senate Bill 1146—Predecessors to the Act

House Bill 2180 was introduced in the House on July 17, 1997, by Representative Howard Coble from North Carolina.¹¹⁵ That bill, the Online Copyright Liability Limitation Act (OCLLA), proposed to add a new section 512 to the Copyright Act which would exempt OSPs from *direct* or *vicarious* liability when the OSPs had merely acted as passive "conduits" for Internet users so long as the OSP:

- (A) did not initially place the infringing material online;¹¹⁶
- (B) did not generate, select or alter the content of the material;¹¹⁷
- (C) did not determine who will receive the material;

¹¹³ See *id.* at 944.

¹¹⁴ See *Cunard & Wells*, *supra* note 67, at 385 ("[T]o begin with the obvious, the opinions of two district court judges in Northern California are far from controlling upon the rest of the federal judiciary.").

¹¹⁵ See H.R. 2180, 105th Cong. (1997).

¹¹⁶ This provision was ultimately enacted as section 202 of the DMCA. See DMCA, Pub. L. No. 105-304, § 202, 112 Stat. 2860, 2877–2878 (to be codified at 17 U.S.C. § 512(a)(1)).

¹¹⁷ See *id.* (to be codified at 17 U.S.C. § 512(a)(2)–(5)).

- (D) did not receive any direct financial benefit from the particular act of infringement;
- (E) did not sponsor, endorse or advertise the infringing material; and
- (F) (i) did not know or was not aware by notice or other information indicating that the material is infringing or (ii) was prohibited by law from accessing the material that causes suspicion and made no further inquiry or took no further action.¹¹⁸

House Bill 2180 conditioned its exemption from direct or vicarious liability upon the OSP having no knowledge of the copyright infringement, which, traditionally, is not an element under either theory. Further, should an OSP escape direct or vicarious liability, it could still be found liable for *contributory* infringement. However, section 512 (a)(2) would have limited the available remedy for contributory infringement to injunctive relief which is “technically feasible and economically reasonable to carry out.”¹¹⁹ The House version’s subparagraph (F) used the scienter standard of “did not know” and “was not aware,” which avoided creating an affirmative duty for OSPs to monitor material posted online.¹²⁰

In contrast, Senate Bill 1146¹²¹ contained a “notice and take-down” provision, which provided that OSPs are not liable if they “take down” the infringing material “expeditiously” upon notice from the copyright owner.¹²² Title I of Senate Bill 1146 was broader than House Bill 2180 in that it addressed not only the liability of “service providers,” but also provided three blanket exemptions from copyright liability for unauthorized transmission of copyrighted content. Senate Bill 1146 exempted (1) providers of network facilities (including

¹¹⁸ See H.R. 2180, 105th Cong. § 512(a)(1)(A)–(F) (1997).

¹¹⁹ *Id.*

¹²⁰ See H.R. 2180, 105th Cong. § 512(a)(1)(F) (1997); see also *Hearings Held on Online Service Provider Bill*, 9 No. 10 J. PROPRIETARY RTS. 24, 24 (October 1997).

¹²¹ Senate Bill 1146, the Digital Copyright Clarification and Technology Education Act of 1997, or, alternatively, the Technology for Educators and Children (TECh) Act, was introduced by Senator John Ashcroft from Missouri on September 3, 1997. See S. 1146, 105th Cong. (1997).

¹²² Specifically, Senate Bill 1146 would have exempted the operator of an electronic communications network from copyright liability arising from content stored on its network if it removed or blocked access to such content within ten days of receiving notice of the infringement. See *id.* § 512(b)(1). Senate Bill 1146 detailed the information which must accompany such notices, including proof of copyright registration and a specific description of the content and its location on the operator’s network. Further, Senate Bill 1146 required that the notice must include a payment to the operator in an amount prescribed by the Register of Copyrights (for the purpose of deterring frivolous and de minimis claims) and a sworn statement attesting to the accuracy of the information in the notice. See *id.* § 512(b)(3); see also Cunard & Wells, *supra* note 67, at 390.

"internet access providers" and "OSPs"); (2) providers of e-mail services, "real-time communication" formats such as chat rooms, streaming data, and other virtually simultaneous transmissions; and (3) providers of site-linking aids or directories, including hyperlinks and navigational aids such as search engines and browsers.¹²³ Unlike Senate Bill 1146, House Bill 2180 indicated that an OSP's receipt of fees from subscribers did not constitute a direct financial benefit of an infringing act and therefore, would not subject the OSP to vicarious infringement liability.¹²⁴

Following the introduction of House Bill 2180, the Judiciary Subcommittee on Courts and Intellectual Property held two legislative hearings on the bill and Representative Bob Goodlatte of Virginia spent months negotiating with OSPs, telephone companies, libraries, universities, and copyright owners.¹²⁵ These efforts resulted in the substitute House Bill 3209.

2. House Bill 3209

More recently, House Bill 3209,¹²⁶ "The On-line Copyright Infringement Liability Limitation Act" (OCILLA)¹²⁷ was introduced as a substitute for House

¹²³ See S. 1146 § 512(a). For a discussion of logical access providers including search engines, see *infra* notes 210–16 and accompanying text.

¹²⁴ See 143 CONG. REC. E1452-53 (daily ed. July 1, 1997) (statement of Rep. Coble); see also *Bill Would Clarify Online Provider Liability for Copyright Infringement*, 14 No. 10 COMPUTER LAW. 24 (Oct. 1997).

¹²⁵ See 144 CONG. REC. E160 (daily ed. Feb. 12, 1998) (statement of Rep. Coble).

¹²⁶ H.R. 3209, 105th Cong. (1998).

¹²⁷ The full text of House Bill 3209 and other bills, as well as bill summaries and status reports, may be found at <<http://thomas.loc.gov>>. House Bill 3209 proposed to add the following section 512 to the Copyright Act of 1976:

(a) LIMITATION—Notwithstanding the provisions of section 106, a provider shall not be liable for—

(1) direct infringement, based solely on the intermediate storage and transmission of material over that provider's system or network, if—

(A) the transmission was initiated by another person;

(B) the storage and transmission is carried out through an automatic technological process, without any selection of that material by the provider; and

(C) any copy made of the material is not retained longer than necessary for the purpose of carrying out that transmission;

(2) monetary relief under [§] 504 or 505 for contributory infringement or vicarious liability, based solely on conduct described in paragraph (1); or

(3) monetary relief under [§] 504 or 505 for contributory infringement or vicarious liability, based solely on transmitting or providing access to material over that provider's system or network, other than conduct described in paragraph (1), if the provider—

(A) does not know and is not aware of information indicating that the material

Bill 2180 on February 12, 1998 by Senator Howard Coble in an attempt to codify the *Netcom*¹²⁸ decision. On February 26, 1998, the House Subcommittee on Courts and Intellectual Property passed the bill unanimously. However, the bill passed by the Subcommittee did not represent a finished product. Subcommittee members indicated that serious issues had still to be addressed at the full Committee level.¹²⁹ Ultimately, compromise was reached and is now embodied

is infringing; and

(B) does not receive a financial benefit directly attributable to the infringing activity.

(b) PROTECTION OF PRIVACY—Nothing in subsection (a) shall authorize or obligate a provider to access material that the provider is prohibited by law from accessing, or impose an affirmative obligation to monitor or otherwise seek information indicating infringement.

(c) LIMITATION BASED UPON REMOVING OR DISABLING ACCESS TO INFRINGING MATERIAL—A provider shall not be liable for any claim based on that provider's removing or disabling on-line access to material, in response to knowledge or information indicating that the material is infringing, whether or not the material is infringing.

(d) OTHER DEFENSES NOT AFFECTED—Removing or disabling access to material which a provider transmits on-line or to which a provider provides online access, or the failure to do so, shall not adversely bear upon the consideration by a court of a defense to infringement asserted by that provider on the basis of section 107 or any other provision of law.

(e) MISREPRESENTATIONS—Any person who knowingly materially misrepresents that material on-line is infringing shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer or by any copyright owner or copyright owner's authorized licensee who is injured by such misrepresentation, or by any provider who relies upon such misrepresentation in removing or disabling access to the material claimed to be infringing.

(f) DEFINITION—As used in this section, the term 'provider' means a provider of on-line services or network access.

(g) CONFORMING AMENDMENT—The table of sections for chapter 5 of title 17, United States Code is amended by adding at the end the following: '512. Limitations on liability relating to material online.'

H.R. 3209, 105th Cong. (1998).

¹²⁸ For an in depth discussion of *Netcom*, see *supra* Part III.A.3 (regarding direct infringement liability); Part III.B (regarding contributory infringement liability); and Part III.C (regarding vicarious infringement liability).

¹²⁹ See Jonathan Band, *Congress Makes Little Progress on New Intellectual Property Bills*, 4 No. 6 INTELL. PROP. STRATEGIST 9, 10 (1998). Given that the Internet knows no boundaries, it is clear that the issue of OSP liability is not confined to the United States alone. The international scope of OSP liability was addressed at the December 1996 World Intellectual Property Organization (WIPO) Diplomatic Conference in Geneva. See Cunard & Wells, *supra* note 67, at 387. It was understood on Capitol Hill that the fate of House Bill 3209 was inextricably linked to that of House Bill 2281, the World Intellectual Property Organization Copyright Treaty and Performances and Phonograms Treaty Implementation Act

in Title I of the DMCA, the WIPO Treaties Implementation Act.

House Bill 3209 distinguished between direct infringement and "secondary liability." Representative Coble explained that House Bill 3209 essentially sought to codify *Netcom*,¹³⁰ eliminating direct infringement liability of OSPs for mere "storage" and "transmission" of infringing material, provided that the transmission consisted of "automatic acts engaged in through a technological process initiated by another."¹³¹ Further, knowledge would be immaterial. As to "secondary liability," House Bill 3209 would change the 1976 Act in two respects. First, no monetary relief would be available for passive, automatic acts identified in *Netcom*. Second, House Bill 3209 would clarify the current criteria for contributory and vicarious infringement liability and make them somewhat more difficult to satisfy. Additionally, Representative Coble stressed that injunctive relief would still remain available, ensuring that copyright owners could secure the cooperation of OSPs who had the capacity to prevent ongoing infringement.¹³²

of 1997 (WIPO Copyright Treaties Implementation Act). See H.R. 2281, 105th Cong. (1997). House Bill 2281, which was approved by the Subcommittee on the same day it approved House Bill 3209, proposed to add a new section 1201 to the Copyright Act, prohibiting the manufacture or import of products that circumvent technologies that (1) restrict unauthorized access to a copyrighted work or (2) prevent unauthorized copying of a work. Proponents of the bill, including the motion picture and recording industries, contended that, given the ease with which copying may be accomplished on the Internet, the only way to prevent piracy on the Internet is to prohibit the manufacture and use of circumvention products. VCR and personal computer manufacturers, libraries, and other opponents of WIPO asserted that the provision could prohibit multipurpose devices such as personal computers and VCRs which could circumvent while performing other functions. Such an enactment, they argued, would effectively overturn the "substantial non-infringing uses" exception to contributory infringement liability created by *Sony*. These opponents argued for a statute which prohibits circumvention only if its purpose is infringement. See Band, *supra*. For further discussion of the international aspects of OSP liability, see Jeffrey P. Cunard & Jennifer B. Coplan, *WIPO Treaty Implementation: Debate Over OSP Liability*, 14 No. 6 COMPUTER L. STRATEGIST 1 (1997).

¹³⁰ See 144 CONG. REC. E160 (daily ed. Feb. 12, 1998) (statement of Rep. Coble).

¹³¹ *Id.* Senator Coble explained:

In doing so, it [House Bill 3209] overrules those aspects of the . . . (*Playboy*) case, inasmuch as that case might apply to service providers, suggesting that such acts could constitute direct infringement, and provides certainty that *Netcom* and its progeny, so far only a few district court cases, will be the law of the land.

Id. Recall that in *Playboy*, the district court for the Middle District of Florida held a BBS operator directly liable for publicly distributing or displaying copies of copyrighted works uploaded by his subscribers. See *supra* Part III.A.1.

¹³² See 144 CONG. REC. E160 (daily ed. Feb. 12, 1998) (statement of Rep. Coble).

Section 512(b) was added in response to OSPs' concerns that their monitoring of content could lead to liability for tortious invasion of privacy. Further, section 512(c) exempted a provider from any claim based on an OSP's removing or disabling online access to material in response to knowledge or information that such material is infringing, whether or not such material was in fact an infringement. However, in an effort to deter false claims, section 512(e) made liable any person who knowingly materially misrepresents that online material is an infringement.

*B. Skepticism Concerning the Need for a Legislative Response: "A Solution in Search of a Problem?"*¹³³

1. Arguments Against a Legislative Guide

Critics argued against the need for legislation limiting the liability of OSPs for copyright infringement.¹³⁴ On September 16 and 17, 1997, at the hearings of the House Subcommittee on Courts and Intellectual Property, Jack Valenti of the Motion Picture Association of America argued against House Bill 2180 and Senate 1146 stating that "[i]n the few cases where liability has arisen, existing fair use and infringement law have generally been applied to find OSPs not liable for infringements by network users."¹³⁵

Alternatively, critics of the statutory exemption argued that shielding OSPs from copyright infringement liability would remove any incentive for them to keep the Internet free of infringing content. These critics suggested that search engines and directory pages that feared contributory liability might require web pages to guarantee that their pages are free from infringing content before that index would list their site. Additionally, search engines and directories might require that the individual web pages indemnify them against liability they might incur. Moreover, in the absence of a statutory exemption, web page operators would have an incentive to keep their pages free from infringing content and fewer web pages might be willing to link to an infringing web page—ultimately rendering the infringing web page less effective in disseminating its content.¹³⁶

¹³³ See Cahoy, *supra* note 15, at 335.

¹³⁴ See, e.g., *id.* at 354 (arguing that a change to the 1976 Act would be "premature"); Walton, *supra* note 105, at 946 (arguing that, despite the dangers posed by *Fonovisa*, legislation was unnecessary).

¹³⁵ *Hearings Held on Online Service Provider Bill*, 9 No. 10 J. PROPRIETARY RTS. 1997, at 24.

¹³⁶ See Levi, *supra* note 16, at 562–66.

2. *The White Paper*

Opponents of a statutory exemption for OSPs from copyright infringement liability relied on *The White Paper*¹³⁷ for support. In 1993, President Clinton formed the Information Infrastructure Task Force (IITF) "to articulate and implement the Administration's vision for a National Information Infrastructure (NII)."¹³⁸ To further this effort, the Working Group on Intellectual Property Rights, chaired by then Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Bruce Lehman, was established to examine the impact of the NII upon intellectual property rights and policy.¹³⁹ On September 5, 1995, the Working Group on Intellectual Property Rights issued their final report,¹⁴⁰ *The "White Paper,"* which focused on "the application of the existing copyright law and to recommend only those changes that are essential to adapt the law to the needs of" the Internet community.¹⁴¹

The White Paper directly disagreed with *Netcom's* holding that BBS operators are not directly liable for the infringing acts of their subscribers. Therefore, critics argued that *The White Paper* also disapproved of House Bill 3209, inasmuch as that bill was an attempt to codify *Netcom*.¹⁴² Recognizing that the full potential of the NII "as a true, global marketplace" would not be realized if the content protected by intellectual property laws was not protected when disseminated via the NII, *The White Paper* advocated that the enforcement of copyright protection for works published online was "essential" to the success of the NII.¹⁴³ Thus, *The White Paper* concluded that the best way to protect an author's rights was to hold OSPs liable for the infringing activities of their subscribers, even absent *intent* to infringe, stressing that this approach was consistent with the strict liability standard of the Copyright Act.¹⁴⁴

Further, *The White Paper* argued that providing a statutory exemption for OSPs would remove the incentive for OSPs to reduce the chances that their users

¹³⁷ See *supra* note 14.

¹³⁸ *The White Paper*, *supra* note 14, at 1. According to *The White Paper*, the Internet as we know it today is a prototype for the NII, which is envisioned as a high-speed, interactive, digital communications system that will integrate the nation's computers, telephones, televisions, radios, and fax machines. See *id.* at 8, 179.

¹³⁹ See *id.* at 2.

¹⁴⁰ The preliminary draft of *The White Paper*, released on July 7, 1994, is referred to as "The Green Paper." See *id.* at 3.

¹⁴¹ *Id.* at 5-6.

¹⁴² See *supra* Part IV.A.2.

¹⁴³ See *id.* at 16; see also Levi, *supra* note 16, at 551.

¹⁴⁴ See *id.* at 116-22. *The White Paper* relied heavily upon *Sega I* and *Playboy* in reaching its conclusion.

would infringe copyrights, and ultimately increase the resulting damage to copyright holders. The White Paper provided several justifications for its proposal. First, it argued that such liability should be viewed as a cost of doing business because OSPs attract subscribers and increase their profits by providing users the capability of uploading works to and downloading works from their systems.¹⁴⁵ Further, The White Paper suggested that OSPs are in a better position than authors to reduce the occurrences of copyright infringement by educating their subscribers, shifting responsibility for infringement to their subscribers through indemnification and warranty agreements, purchasing insurance, and developing technological solutions to eliminate infringing material.¹⁴⁶

V. TRAVELING WITHOUT A MAP: A LOOK AT THE FUTURE OF OSP LIABILITY HAD THE DMCA NOT BEEN ENACTED

The White Paper concluded that “it is—at best—premature” to craft legislation aimed at reducing “the liability of any type of service provider...”¹⁴⁷ The White Paper assumed that the “[i]mplementation of preventative measures, compliance with the law, and development of technological mechanisms to guard against infringement” could not be achieved if legislation limiting OSP infringement liability was adopted.¹⁴⁸ I believe that the two interests are not mutually exclusive. A statute can be, and was, crafted that balances the interests of OSPs and copyright owners and ensures the continued growth of the Internet as the communications medium of choice for those who wish to publish their messages easily, inexpensively, and almost instantaneously. Of course, any attempt to clarify OSP liability through legislation needed to heed the warning of the House Subcommittee on Courts and Intellectual Property.¹⁴⁹ The legislation must be broad enough to enable courts to adapt it to the ever-changing technological landscape.

Unrestrained, misguided, and inconsistent application of cases like *Fonovisa* could have had a disastrous impact upon the future of the Internet. Placing liability for contributory and vicarious infringement onto OSPs would have impacted upon their ability to organize information and increase the cost of their

¹⁴⁵ See *id.* at 117.

¹⁴⁶ See *id.* at 123.

¹⁴⁷ *Id.* at 122. The White Paper reached this conclusion when the *Frank Music* and *Netcom* cases were pending. See *id.* at 121–22.

¹⁴⁸ See *id.* at 124.

¹⁴⁹ See *supra* notes 127–28 and accompanying text.

services to users.¹⁵⁰ The threat of liability might have deterred web sites, OSPs, and logical access providers from using hyperlinks.¹⁵¹ The less often hyperlinks are used and the fewer logical access providers who are willing to take such risks, the more difficult it would become for Internet users to navigate the Web. Ultimately, the Internet may have ceased to be a “seamless web” of interconnected documents—thereby substantially decreasing its utility.

Moreover, OPSs would have been forced to internalize the costs they incurred defending copyright infringement claims and satisfying judgments against them.¹⁵² These increased “costs of doing business” might ultimately have forced many web pages, logical access providers, and OSPs out of business. Smaller operations would have been the first to disappear, and ultimately, larger services might have obtained a monopoly, further raising prices for Internet users.

Other critics of *Fonovisa*’s expansive view of contributory and vicarious infringement liability noted the threats the opinion posed to OSPs. One commentator emphasized that courts must articulate that a web site is not like a swap meet in order to avoid haphazard application of *Fonovisa* to OSPs. Further, the author asserted that OSPs should not be found to satisfy the “financial benefit” prong simply because some infringement is occurring on their systems. The author’s recommendation continued:

Unless an OSP is clearly profiting from infringement, by either receiving a share of infringement profits or by receiving a large percentage of income from users who seek access to infringing material, it should not be held vicariously liable. Additionally, when determining whether an OSP is liable for contributory infringement, courts should carefully consider whether the “control” prong is truly satisfied. For an OSP, the ability to terminate a user for say, discourteous

¹⁵⁰ See Walton, *supra* note 105, at 945–46.

¹⁵¹ See *id.* Hyperlinks aid Web surfing. As one commentator explained:

A hyperlink is a reference included in a source document to a point in a destination document. The link is established by incorporating the address of the destination document into the source document. Visually, hyperlinks appear on a web page as either an icon or text displayed in a distinguishing way. When a user clicks on the hyperlink with a mouse, the user’s browser software loads the hyperlink address and automatically accesses the destination web page whose contents are transmitted to the user’s computer screen.

Levi, *supra* note 16, at 560.

¹⁵² See Walton, *supra* note 105, at 946. At the September 16 and 17 hearings on House Bill 2180, Roy Nel, president and CEO of the United States Telephone Association, supported the need for such legislation, stating that “the potential for massive lawsuits” and the difficulty OSPs have in detecting infringement justified legislative action on the issue of OSP liability.

behavior, is not the same as the ability to stop all copyright infringement.¹⁵³

Yet, the author concluded that “OSPs do not need new statutes or novel legal doctrines to protect them. Instead, existing case law should be applied very carefully.”¹⁵⁴ However, I submit that this “mapping” should not have been left up to the courts, which might apply the existing law inconsistently, drawing minute distinctions among different types of OSPs. Rather, the legislative solution is most appropriate.

VI. THE LEGISLATIVE MAP: CONGRESS ANSWERS OSP CONCERNS WITH TITLE II OF THE DMCA

Congress’s answer to the possible dangers posed by the courts’ inconsistent application of the copyright law to the Internet terrain was to provide certain “safe harbors”¹⁵⁵—to condition the provision of exemptions sought by OSPs¹⁵⁶ upon compliance with procedural safeguards designed to protect the interests of copyright owners.¹⁵⁷ In Conference Report 796, Congress explained that Title II “preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment” while also providing “greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”¹⁵⁸

Title II amends chapter 5 of the 1976 Act¹⁵⁹ to create a new section 512,¹⁶⁰

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ The DMCA does not represent Congress’s first resolution of a debate regarding OSP liability. *See supra* note 28.

¹⁵⁶ For purposes of the three safe harbors embodied in section 202 of the DMCA (to be codified at 17 U.S.C. § 512(b)–(d)), the definition of OSP is extremely broad—“a provider of online services or network access, or the operator of facilities therefore.” Pub. L. No. 105-304, § 202, 112 Stat. 2886 (to be codified at 17 U.S.C. § 512(k)(1)(B)). For purposes of the Transitory Communications safe harbor, an OSP is defined as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.” *Id.* (to be codified at 17 U.S.C. § 512(k)(1)(A)).

¹⁵⁷ Congress’s action directly contradicts the views expressed by many commentators that such legislation was premature and unnecessary. *See, e.g.,* Cahoy, *supra* note 15, at 335; Walton, *supra* note 105, at 946.

¹⁵⁸ H.R. CONF. REP. NO. 105-796, at 72 (1998).

¹⁵⁹ 17 U.S.C. §§ 501–511 (1994).

¹⁶⁰ The U.S. Copyright Office noted that The Fairness in Musical Licensing Act, Title II of Pub. L. No. 105-298, 112 Stat. 2827, 2830–34 (1998), also adds a new section 512 to the

titled "Limitations on liability relating to material online."¹⁶¹ Section 512 delineates four general categories¹⁶² of activity for which an OSP's infringement liability may be limited—transitory communications;¹⁶³ system caching;¹⁶⁴ storage of information on systems at the direction of its users;¹⁶⁵ and information location tools.¹⁶⁶ It is crucial to note that these categories do not provide a litmus test for determining whether or not a service provider is liable for infringement. Using existing principles of copyright law, a copyright owner must still prove that the OSP is liable for direct, contributory, or vicarious infringement.¹⁶⁷ The safe harbors operate as a first line of defense against an infringement claim and an OSP "may still avail itself of any of the defenses, such as fair use, that are available to copyright defendants generally."¹⁶⁸ Additionally, the infringement liability of an OSP that does not qualify for a safe harbor will continue to be interpreted by the existing case law.

OSPs qualifying for any of the liability limitations in subsections (a)–(d) are shielded from monetary damage awards¹⁶⁹ for direct, vicarious, or contributory

Copyright Act. See *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary* (Dec. 1998) <<http://www.loc.gov/copyright>>. A technical amendments bill is needed to correct this duplication. See *id.*

¹⁶¹ See DMCA, Pub. L. No. 105-304, § 202, 112 Stat. 2860, 2877–86 (to be codified at 17 U.S.C. § 512).

¹⁶² See *id.* (to be codified at 17 U.S.C. § 512 (a)–(d)).

¹⁶³ See *id.* (to be codified at 17 U.S.C. § 512 (a)); *infra* Part VI.A for further discussion.

¹⁶⁴ See DMCA § 202 (to be codified at 17 U.S.C. § 512(b)); *infra* Part VI.B for further discussion.

¹⁶⁵ See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)); *infra* Part VI.C for further discussion.

¹⁶⁶ See DMCA § 202 (to be codified at 17 U.S.C. § 512(d)); *infra* Part VI.D for further discussion.

¹⁶⁷ Conference Report 796 interprets subsection (l) to provide that section 512 "is not intended to imply that a service provider is or is not liable as an infringer either for conduct that qualifies for a limitation of liability or for conduct that fails to so qualify." H.R. CONF. REP. NO. 105-796, at 73 (1998). Section 512(l) provides:

The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing under this title or any other defense.

DMCA § 202 (to be codified at 17 U.S.C. § 512(l)). For both a general discussion of copyright infringement theories and their specific application to the Internet arena, see *supra* Parts II.B & III.

¹⁶⁸ *U.S. Copyright Office Summary*, *supra* note 160, at 9.

¹⁶⁹ Subsection (k)(2) defines "monetary relief" to include "damages, costs, attorneys'

infringement. Additionally, subsection (j) limits the availability of injunctive relief against qualifying service providers.¹⁷⁰ However, to qualify for these protections, service providers must first satisfy the conditions set forth in subsection (i), “Conditions for Eligibility.”¹⁷¹ Specifically, the OSP must have adopted and reasonably implemented a policy that terminates the accounts of its subscribers who are repeat infringers.¹⁷²

A. Safe Harbor for Transitory Communications

Section 512(a)¹⁷³ essentially codifies *Netcom*,¹⁷⁴ limiting the direct

fees, and any other form of monetary payment.” DMCA § 202 (to be codified at 17 U.S.C. § 512(k)(2)).

¹⁷⁰ See *id.* (to be codified at 17 U.S.C. § 512(j)).

¹⁷¹ See *id.* (to be codified at 17 U.S.C. § 512(i)).

¹⁷² See *id.* (to be codified at 17 U.S.C. § 512(i)(1)(A)). Congress recognized that such a provision must be feasible and could not have a crippling effect upon the OSPs’ business. Section 512(i)(1)(B) provides that this policy cannot interfere with copyright owners’ “standard technical measures” that are defined to mean measures which copyright owners use to identify or protect their copyrighted works and “do not impose substantial costs” or “substantial burdens” on OSPs. See *id.* (to be codified at 17 U.S.C. § 512(i)(2)(C)).

¹⁷³ Section 512(a) provides:

(a) TRANSITORY DIGITAL NETWORK COMMUNICATIONS.—A service provider shall not be liable for monetary relief, or, except as provided in subsection (j) for injunctive or other equitable relief, for infringement of copyright by reason of the provider’s transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if—

- (1) the transmission of the material was initiated by or at the direction of a person other than the service provider;
- (2) the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;
- (3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;
- (4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and
- (5) the material is transmitted through the system or network without modification of its content.

Id. (to be codified at 17 U.S.C. § 512(a)).

infringement liability of OSPs for the copyright infringements of third parties (their subscribers). This section limits the liability of OSPs which act merely as data conduits, transmitting information at the request of subscribers. Additionally, this safe harbor includes the intermediate and transitory copies that are automatically made in the operation of a network. However, in order for an OSP to qualify for this safe harbor, the transmission must have been initiated by a person other than the OSP itself;¹⁷⁵ the selection of the material must have occurred through an automatic technical process and not through the direct selection of the OSP;¹⁷⁶ the OSP must not select the recipients of the material;¹⁷⁷ intermediate copies must not be retained for longer than is necessary to accomplish the transmission;¹⁷⁸ and the material must be transmitted without modification of its content.¹⁷⁹

B. Safe Harbor for System Caching

Section 512(b)¹⁸⁰ limits the liability of service providers for system caching, a process utilized by OSPs to increase the efficiency of their networks. System caching refers to the process by which an OSP retains a temporary copy of often-accessed Internet material so that subsequent requests for the material can be fulfilled by transmitting that retained copy, instead of again retrieving the

¹⁷⁴ For a discussion of *Netcom*, see *supra* Part III.A.3.

¹⁷⁵ See DMCA § 202 (to be codified at 17 U.S.C. § 512(a)(1)).

¹⁷⁶ See *id.* (to be codified at 17 U.S.C. § 512(a)(2)).

¹⁷⁷ See *id.* (to be codified at 17 U.S.C. § 512(a)(3)).

¹⁷⁸ See *id.* (to be codified at 17 U.S.C. § 512(a)(4)).

¹⁷⁹ See *id.* (to be codified at 17 U.S.C. § 512(a)(5)).

¹⁸⁰ Section 512(b)(1) provides that, subject to the conditions iterated in section 512(b)(2):

... [a] service provider shall not be liable for monetary relief, or except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which—

(A) the material is made available online by a person other than the service provider;

(B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and

(C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A)

Id. (to be codified at 17 U.S.C. § 512(b)).

material from the original source.¹⁸¹ The safe harbor applies to material that is placed online by a person other than the OSP and then is transmitted to a third party (the subscriber) at his or her request.¹⁸² Additionally, in order to qualify for the safe harbor, the OSP must not modify the content of the material;¹⁸³ must comply with rules about “refreshing, reloading, or other updating of the material when specified by the person making the material available online” in accordance with standard industry practice;¹⁸⁴ must not interfere with the technology that returns “hit”¹⁸⁵ information to the person who uploaded the material;¹⁸⁶ must limit subscribers’ access to the material in accordance with the uploader’s conditions on access (e.g., payment of a fee or provision of a password);¹⁸⁷ and, if notified by the copyright owner that the original material from which the “cached” copy was made has been removed or blocked, the OSP must act “expeditiously to remove, or disable access to, the material that is claimed to be infringing.”¹⁸⁸

C. Safe Harbor for Information Residing on Systems or Networks at the Direction of Users

Section 512(c)¹⁸⁹ responds to OSP fears that judicial expansion of *Fonovisa*

¹⁸¹ See *id.* (to be codified at 17 U.S.C. § 512(b)); *U.S. Copyright Office Summary, supra* note 160, at 10.

¹⁸² See DMCA § 202 (to be codified at 17 U.S.C. § 512(b)(1)(A)–(C)).

¹⁸³ See *id.* (to be codified at 17 U.S.C. § 512(b)(2)(A)).

¹⁸⁴ See *id.* (to be codified at 17 U.S.C. § 512(b)(2)(B)).

¹⁸⁵ A “hit” denotes that a user has requested material on a website. Advertising revenue is frequently calculated from such “hit” information. See *U.S. Copyright Office Summary, supra* note 160, at 10.

¹⁸⁶ See DMCA § 202 (to be codified at 17 U.S.C. § 512(b)(2)(C)).

¹⁸⁷ See *id.* (to be codified at 17 U.S.C. § 512(b)(2)(D)).

¹⁸⁸ *Id.* (to be codified at 17 U.S.C. § 512(b)(2)(E)).

¹⁸⁹ Section 512(c)(1) provides that, in general:

... [a] service provider shall not be liable for monetary relief, or, except as provided in subsection (j) for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—

(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity,

to the Internet context could result in findings of infringement liability for their mere provision of "support services."¹⁹⁰ The section limits the contributory¹⁹¹ and vicarious infringement liability¹⁹² of OSPs. To be eligible for the limitation, the OSP must not have the requisite level of *knowledge*¹⁹³ of the infringing activity.¹⁹⁴ Additionally, if the OSP has the right and ability to *control*¹⁹⁵ the infringing activity, it must not receive a *direct financial benefit*¹⁹⁶ from such activity.¹⁹⁷ Moreover, this section also includes a "notice and take-down" provision—upon receipt of notification of an alleged infringement, the OSP must act expeditiously to remove or block access to the material.¹⁹⁸

In addition, OSPs must designate an agent who, on its behalf, will receive notification from the copyright owner of a claimed infringement.¹⁹⁹ That designation of agent must be filed with the Copyright Office and must be made available through the OSP's publicly accessible website.²⁰⁰ In November 1998, the Copyright Office published interim regulations detailing this registration.²⁰¹

in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of the infringing activity.

Id. (to be codified at 17 U.S.C. § 512(c)).

¹⁹⁰ See *supra* notes 97–100 and accompanying text. For a discussion of the ease with which *Fonovisa's* broad interpretations of contributory and vicarious infringement liability could be analogized to the Internet, see *supra* Part III.D.3.

¹⁹¹ For a discussion of *Fonovisa's* contributory infringement analysis, see *supra* Part III.D.1.

¹⁹² For a discussion of vicarious infringement liability of OSPs, see *supra* Part III.C and accompanying text.

¹⁹³ For a discussion of knowledge see *supra* note 83 and accompanying text.

¹⁹⁴ See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)(1)(A)(i)–(iii)). Under this requirement, the OSP is eligible for the safe harbor only if it does not have *actual knowledge* of the infringement; or, in the absence of actual knowledge, is not aware of facts or circumstances which make infringing activity apparent; or, upon obtaining such knowledge or awareness, acts quickly to remove the infringing material. See *id.*

¹⁹⁵ For a discussion of the control prong, see *supra* note 101 and accompanying text.

¹⁹⁶ For a discussion of direct and indirect financial benefits, see *supra* notes 38–39 and accompanying text.

¹⁹⁷ See DMCA § 202 (to be codified at 17 U.S.C. § 512(c)(1)(B)).

¹⁹⁸ See *id.* (to be codified at 17 U.S.C. § 512(c)(1)(C)).

¹⁹⁹ See *id.* (to be codified at 17 U.S.C. § 512(c)(2)).

²⁰⁰ See *id.*

²⁰¹ See Designation of Agent to Receive Notification of Claimed Infringement, 63 Fed. Reg. 59,233 (1998) (to be codified at 37 C.F.R. pt. 201). The Copyright Office will not provide

Section 512(c) places concurrent duties upon copyright owners, who, under penalty of perjury, must serve a notice of infringement upon the OSP's designated agent.²⁰² If a copyright owner fails to substantially comply with the statutory requirements, the notification will not be considered in determining whether the OSP had the requisite level of knowledge to qualify for the safe harbor.²⁰³ The OSP is exempt from liability provided that, upon receipt of proper notification from the copyright owner, the OSP removes or blocks access to the allegedly infringing material.

Section 512(g)(1) is designed to protect against fraudulent or erroneous infringement notifications. Once an OSP has received an infringement notification from a copyright owner, it must promptly notify its subscriber who uploaded the information that it has removed or disabled access to the material.²⁰⁴ Then, the subscriber may respond to the notice and take-down by sending a "counter notification" to the OSP stating that the subscriber has a good faith belief that the material was removed or blocked as the result of a mistake or misidentification.²⁰⁵ If the counter notification complies with additional statutory requirements,²⁰⁶ the OSP must next forward a copy of the counter notification to the copyright owner.²⁰⁷ If the copyright owner does not notify the OSP that it has "filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the [OSP]'s system or network," the OSP must replace or unblock the material within ten to fourteen business days of receiving the counter notification.²⁰⁸

designation of agent forms, but does provide a suggested format. The registration must be labeled "Interim Designation of Agent to Receive Notification of Claimed Infringement." This form should include the full name and address of the OSP; all names under which the OSP is doing business; and the name, address, telephone number, fax number, and e-mail of the agent. The Copyright Office provides a suggested form at its website <<http://lcweb.loc.gov/copyright/onlinesp/>>. Additionally, a list of agents is maintained at <<http://lcweb.loc.gov/copyright/onlinesp/list/>>.

²⁰² The form and content of the notice is detailed in § 512. *See* DMCA § 202 (to be codified at 17 U.S.C. § 512(c)(3)(A)(i)-(vi)). The notice must be in writing and signed by the copyright owner or his or her agent. *See id.* (to be codified at 17 U.S.C. § 512(c)(3)(A)(ii)). Additionally, it must identify the copyrighted work(s) which allegedly have been infringed. *See id.*

²⁰³ *See id.* (to be codified at 17 U.S.C. § 512(c)(3)(B)(i)-(ii)).

²⁰⁴ *See id.* (to be codified at 17 U.S.C. § 512(g)(2)).

²⁰⁵ *See id.* (to be codified at 17 U.S.C. § 512(g)(3)(B)).

²⁰⁶ *See id.* (to be codified at 17 U.S.C. § 512(g)(3)(A), (C), (D)).

²⁰⁷ *See id.* (to be codified at 17 U.S.C. § 512(g)(2)(B)).

²⁰⁸ *See id.* (to be codified at 17 U.S.C. § 512(g)(2)(C)).

D. Safe Harbor for Information Location Tools

Earlier versions of the OSP safe harbors did not clearly indicate which types of OSPs it would exempt from copyright infringement liability. For example, House Bill 3209, section 512(f), defined "provider" as a "provider of on-line services or network access."²⁰⁹ This definition could have been interpreted by courts to exclude "logical access providers," including web search engines²¹⁰ such as Lycos,²¹¹ Altavista,²¹² and Infoseek²¹³ and directory pages²¹⁴ like Yahoo²¹⁵ and Magellan.²¹⁶ Section 512(d)²¹⁷ of the DMCA removes the

²⁰⁹ See On-Line Copyright Infringement Liability Limitation Act, H.R. 3209, § 2, 105th Cong. (1998).

²¹⁰ Web search engines create an index file of a large number of web pages, which is constantly regenerated to reflect additions of and alterations to web pages. A user submits a search request of keywords, and the search engine scans the index and returns a list of matching web pages and their hyperlinks, which allows a user to directly access the pages. See Levi, *supra* note 16, at 561.

²¹¹ Lycos's Internet address is <<http://www.lycos.com>>.

²¹² Altavista's Internet address is <<http://www.altavista.digital.com>>.

²¹³ Infoseek's Internet address is <<http://www.infoseek.com>>.

²¹⁴ Directory pages cover a smaller amount of web pages than do web search engines, but they allow an Internet user to focus more narrowly on a topic. Yahoo! and Magellan act as registries of web pages and their hyperlinks organized by topic. They are arranged in a format to allow users to easily find information and may include a description of the web page and a rating system. See Levi, *supra* note 16, at 561-62.

²¹⁵ Yahoo!'s Internet address is <<http://www.yahoo.com>>.

²¹⁶ Magellan's Internet address is <<http://www.magellan.com>>.

²¹⁷ Section 512(d) provides:

INFORMATION LOCATION TOOLS.—A service provider shall not be liable for monetary relief, or , except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider—

(1)(A) does not have actual knowledge that the material or activity is infringing;

(B) in the absence of such actual knowledge, is not aware of facts or circumstances from which the infringing activity is apparent; or

(C) upon obtaining such knowledge or awareness, acts expeditiously to remove or disable access to the material;

(2) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(3) upon notification of the claimed infringement as described in subsection (c)(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or be the subject of infringing activity, except that, for purposes of this

possibility for inconsistent application by specifically limiting the liability of logical access providers. In order to qualify for the safe harbor, the OSP must meet essentially the same requirements imposed by the safe harbor for information residing on systems or networks.²¹⁸ Specifically, the OSP must not have the requisite level of knowledge that the material is infringing;²¹⁹ if the OSP has the right and ability to control the infringing activity, it must not receive a direct financial benefit directly attributable to the activity;²²⁰ and upon notice that the material is infringing, it must expeditiously remove or block access to the material.²²¹ Prior to enactment of the DMCA, courts had yet to consider whether these logical access providers should be found liable for copyright infringement for using a hyperlink to direct a user to a web page containing infringing material.²²²

paragraph, the information described in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate that reference or link.

DMCA, Pub. L. No. 105-304, § 202, 112 Stat. 2860, 2881 (to be codified at 17 U.S.C. § 512(d)).

²¹⁸ See *supra* Part VI.C.

²¹⁹ See DMCA § 202 (to be codified at 17 U.S.C. § 512(d)(1)(A)–(C)). This knowledge standard is the same as that under the safe harbor for information residing on systems or networks. See *supra* note 194 and accompanying text.

²²⁰ See DMCA § 202 (to be codified at 17 U.S.C. § 512(d)(2)).

²²¹ See *id.* (to be codified at 17 U.S.C. § 512(d)(3)).

²²² See *Levi, supra* note 16, at 562. Applying the *Netcom* analysis, it is highly unlikely that logical access providers would have been found liable for direct copyright infringement because no actual copying is performed. As to contributory infringement liability, it is unlikely that a court would have found a search engine like Lycos or Yahoo! liable. See *id.* at 563. In determining whether a search engine could be found liable for contributory infringement, the relevant inquiry would be: “Does its activity in establishing a hyperlink rise to the level of ‘substantial’ participation in the direct infringement of another?” Such search engines would argue that they are merely making available a search engine which would find all web pages meeting the searcher’s criteria. The search engine operates without human intervention and makes “automatic and indiscriminate” responses to a searcher’s criteria. Thus, the search engine operator would argue that it is technically unfeasible to only return a search result consisting of pages which do not contain any infringing material. See *id.* at 563–64.

Directory pages providers, on the other hand, might have been found liable for contributory infringement if they provide a hypertext link to a web page that they know contains infringing content. In compiling their service, directory page providers take steps which may rise to the level of “substantial” participation. Directory page providers either search the Web themselves or solicit requests for web pages to be included in their directory. Additionally, directory pages often rate various web pages after scanning their contents. Further, it may be alleged that the directory provider’s efforts in making an infringing web

E. Safe Harbor for Nonprofit Educational Institutions

Public and nonprofit institutions such as libraries and universities most likely fall within the DMCA's definition of "OSP." Section 512(e)²²³ determines when the actions of a faculty member or graduate student employed by the institution may affect the institution's eligibility for the four safe harbors detailed above.²²⁴ For the purposes of sections 512(a) and (b), the transitory communications and system caching safe harbors, such faculty member or graduate student is considered a "person other than the provider" so that the institution will not be disqualified from eligibility for the safe harbors. For the purposes of section 512(c) and (d), the safe harbors for information residing on systems or networks at the direction of users and information location tools, the knowledge of a faculty member or graduate student that material is infringing will not be imputed to the institution provided that several conditions are met. Those conditions include that the faculty member's or graduate student's activities do not involve providing online access to course materials that were required or recommended during the preceding three year period for a course taught by such individual;²²⁵ that the institution has not received more than two section

page more accessible aids the primary infringer's purpose in distributing the works. *See id.* at 564–65.

²²³ Section 512(e) provides:

(1) When a public or other nonprofit institution of higher education is a service provider, and when a faculty member or graduate student who is an employee of such institution is performing a teaching or research function, for the purposes of subsections (a) and (b) such faculty member or graduate student shall be considered to be a person other than the institution, and for the purposes of subsections (c) and (d) such faculty member's or graduate student's knowledge or awareness of his or her infringing activities shall not be attributed to the institution, if—

(A) such faculty member's or graduate student's infringing activities do not involve the provision of online access to instructional materials that are or were required or recommended, within the preceding 3-year period, for a course taught at the institution by such faculty member or graduate student;

(B) the institution has not, within the preceding 3-year period, received more than two notifications described in subsection (c)(3) of claimed infringement by such faculty member or graduate student, and such notifications of claimed infringement were not actionable under subsection (f); and

(C) the institution provides to all users of its system or network informational materials that accurately describe, and promote compliance with, the laws of the United States relating to copyright.

DMCA § 202 (to be codified at 17 U.S.C. § 512(e)).

²²⁴ *See id.*

²²⁵ *See id.* (to be codified at 17 U.S.C. § 512(e)(1)(A)).

512(c)(3) notifications during the preceding three year period that the faculty member or graduate student was infringing,²²⁶ and that the institution provides all users of its system with materials that describe and promote compliance with copyright law.²²⁷

VII. CONCLUSION

Returning to the question posed in the introduction—"once online copyright infringement is alleged, the question becomes—whom should the copyright owner seek to hold liable?"²²⁸ If an OSP is protected by the safe harbors of the DMCA, the owner of the allegedly infringed copyright may well have no choice but to proceed against the direct infringer, the user of the OSP's services. However, as previously noted, it may be difficult to pinpoint the identity of the direct infringer. In order to aid the copyright owner, Title II establishes a procedure by which a copyright owner can obtain a subpoena from a federal court that orders an OSP to disclose the identity of the alleged direct infringer.²²⁹ Another question—What if the copyright owner locates the direct infringer, who has no pockets of which to speak, and the deep pocket OSP is protected by a safe harbor? Then, it appears, the copyright owner's only remedy may be injunctive relief.

The DMCA attempts to balance the interests of copyright owners and OSPs while ensuring the continued growth of the Internet by conditioning a statutory exemption upon OSP compliance with various procedural safeguards. It removes the uncertainty created by *Fonovisa*, *Playboy*, and *Sega I* and ensures that OSPs have the incentive to make their subscribers more aware of copyright law and to react promptly when informed that infringing material resides on their systems. Perhaps the crisis for OSPs has been solved, but the crisis for copyright owners—that the Internet provides a cheap and universal medium for the unauthorized copying and distribution of their works, for which damages cannot be recovered—remains.²³⁰

This Note purports only briefly to outline the manner in which the DMCA addresses OSP concerns. The rules of the OSP safe harbors are complex and require strict adherence to detail. If an OSP fails to fully comply with the provisions of the Act, it risks loss of the limitations on liability and potentially large damage awards under the various theories of infringement liability.

²²⁶ See *id.* (to be codified at 17 U.S.C. § 512(e)(1)(B)).

²²⁷ See *id.* (to be codified at 17 U.S.C. § 512(e)(1)(C)).

²²⁸ *Supra* Part I.

²²⁹ See DMCA § 202 (to be codified at 17 U.S.C. § 512(h)).

²³⁰ See *supra* note 76 and accompanying text.

However, the full impact of the Act remains unknown, as the courts have yet to address a case in which an OSP claims it qualifies for one of the DMCA safe harbors.